

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**COMPASS DIVERSIFIED HOLDINGS**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

001-34927  
(Commission  
file number)

57-6218917  
(I.R.S. employer  
identification number)

**COMPASS GROUP DIVERSIFIED HOLDINGS LLC**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

001-34926  
(Commission  
file number)

20-3812051  
(I.R.S. employer  
identification number)

**301 Riverside Avenue, Second Floor, Westport, CT 06880**  
**(203) 221-1703**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Shares representing beneficial interests in Compass Diversified Holdings	CODI	New York Stock Exchange
Series A Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR A	New York Stock Exchange
Series B Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR B	New York Stock Exchange
Series C Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR C	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 27, 2023, there were 71,820,329 Trust common shares of Compass Diversified Holdings outstanding.

**COMPASS DIVERSIFIED HOLDINGS**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the period ended September 30, 2023**

**TABLE OF CONTENTS**

	<b>Page Number</b>
<a href="#"><u>FORWARD-LOOKING STATEMENTS</u></a>	<u>4</u>
<b>PART I. FINANCIAL INFORMATION</b>	
ITEM 1. <a href="#"><u>FINANCIAL STATEMENTS (UNAUDITED)</u></a>	
<a href="#"><u>CONDENSED CONSOLIDATED BALANCE SHEETS</u></a>	<u>5</u>
<a href="#"><u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u></a>	<u>6</u>
<a href="#"><u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u></a>	<u>7</u>
<a href="#"><u>CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY</u></a>	<u>8</u>
<a href="#"><u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u></a>	<u>10</u>
<a href="#"><u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u></a>	<u>12</u>
ITEM 2. <a href="#"><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></a>	<u>40</u>
ITEM 3. <a href="#"><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></a>	<u>73</u>
ITEM 4. <a href="#"><u>CONTROLS AND PROCEDURES</u></a>	<u>73</u>
<b>PART II. OTHER INFORMATION</b>	
ITEM 1. <a href="#"><u>LEGAL PROCEEDINGS</u></a>	<u>74</u>
ITEM 1A. <a href="#"><u>RISK FACTORS</u></a>	<u>74</u>
ITEM 6. <a href="#"><u>EXHIBITS</u></a>	<u>75</u>
<a href="#"><u>SIGNATURES</u></a>	<u>76</u>

## NOTE TO READER

In reading this Quarterly Report on Form 10-Q, references to:

- the "Trust" and "Holdings" refer to Compass Diversified Holdings;
- the "LLC" refer to Compass Group Diversified Holdings LLC;
- the "Company" refer to Compass Diversified Holdings and Compass Group Diversified Holdings LLC, collectively;
- "businesses", "operating segments", "subsidiaries" and "reporting units" all refer to, collectively, the businesses controlled by the Company;
- the "Manager" refer to Compass Group Management LLC ("CGM");
- the "Trust Agreement" refer to the Third Amended and Restated Trust Agreement of the Trust dated as of August 3, 2021;
- the "2022 Credit Facility" refer to the third amended and restated credit agreement entered into on July 12, 2022 among the LLC, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and letter of credit issuer (the "agent")
- the "2022 Revolving Credit Facility" refers to the \$600 million in revolving loans, swing line loans and letters of credit provided by the 2022 Credit Facility that matures in 2027;
- the "2022 Term Loan" refer to the \$400 million term loan provided by the 2022 Credit Facility;
- the "2021 Credit Facility" refer to the second amended and restated credit agreement entered into on March 23, 2021 among the Company, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the "agent") and other agents party thereto;
- the "2021 Revolving Credit Facility" refers to the \$600 million in revolving loans, swing line loans and letters of credit provided by the 2021 Credit Facility that matures in 2026;
- the "2018 Credit Facility" refer to the amended and restated credit agreement entered into on April 18, 2018 among the Company, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the "agent") and other agents party thereto, which was subsequently amended and restated by the 2021 Credit Facility;
- the "LLC Agreement" refer to the Sixth Amended and Restated Operating Agreement of the Company dated as of August 3, 2021, as further amended; and
- "we," "us" and "our" refer to the Trust, the Company and the businesses together.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, contains both historical and forward-looking statements. We may, in some cases, use words such as "project," "predict," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "potentially," "may," or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. All statements other than statements of historical or current fact are "forward-looking statements" for purposes of federal and state securities laws. Forward looking statements include, among other things, (i) statements as to our future performance or liquidity, such as expectations for our results of operation, net income, adjusted EBITDA, adjusted earnings, and ability to make quarterly distributions and (ii) our plans, strategies and objectives for future operations, including our business outlook and planned capital expenditures. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the SEC, including, but not limited to, those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the United States Securities and Exchange Commission ("SEC") on March 1, 2023, as such factors may be updated from time to time in our filings with the SEC. Many of these risks and uncertainties are beyond our control. Important factors that could cause our actual results, performance and achievements to differ materially from those estimates or projections contained in our forward-looking statements include, among other things:

- changes in general economic, political or business conditions or economic, political or demographic trends in the United States and other countries in which we have a presence, including changes in interest rates and inflation;
- disruption in the global supply chain, labor shortages and high labor costs;
- difficulties and delays in integrating, or business disruptions following, acquisitions or an inability to fully realize cost savings and other benefit related thereto;
- our ability to successfully operate our subsidiary businesses on a combined basis, and to effectively integrate and improve future acquisitions;
- our ability to maintain our credit facilities or incur additional borrowings on terms we deem attractive;
- our ability to remove CGM and CGM's right to resign;
- our organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of our indebtedness;
- our ability to make distributions in the future to our shareholders;
- our ability to pay the management fee and profit allocation if and when due;
- our ability to make and finance future acquisitions;
- our ability to implement our acquisition and management strategies;
- the legal and regulatory environment in which our subsidiaries operate;
- trends in the industries in which our subsidiaries operate;
- future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities);
- risks associated with possible disruption in operations or the economy generally due to terrorism or natural disaster or social, civil or political unrest;
- environmental risks affecting the business or operations of our subsidiaries;
- our and CGM's ability to retain or replace qualified employees of our subsidiaries and CGM;
- the impact of the tax reclassifications of the Trust;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our subsidiary businesses.

Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. The forward-looking events discussed in this Quarterly Report on Form 10-Q may not occur. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, whether as a result of new information, future events or otherwise, except as required by law.

**PART I  
FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**COMPASS DIVERSIFIED HOLDINGS  
CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(in thousands)</i>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 64,737	\$ 57,880
Accounts receivable, net	349,839	331,396
Inventories	801,887	728,083
Prepaid expenses and other current assets	98,974	74,700
Current assets of discontinued operations	—	18,126
Total current assets	1,315,437	1,210,185
Property, plant and equipment, net	203,512	198,525
Goodwill	1,041,469	1,066,726
Intangible assets, net	1,069,995	1,127,936
Other non-current assets	180,399	166,412
Non-current assets of discontinued operations	—	79,847
<b>Total assets</b>	<b>\$ 3,810,812</b>	<b>\$ 3,849,631</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 100,226	\$ 90,404
Accrued expenses	191,068	196,239
Due to related parties (refer to Note P)	17,230	15,495
Current portion, long-term debt	10,000	10,000
Other current liabilities	35,795	36,545
Current liabilities of discontinued operations	—	11,148
Total current liabilities	354,319	359,831
Deferred income taxes	133,118	145,643
Long-term debt	1,775,776	1,824,468
Other non-current liabilities	157,850	141,535
Non-current liabilities of discontinued operations	—	16,192
<b>Total liabilities</b>	<b>2,421,063</b>	<b>2,487,669</b>
Commitments and contingencies (refer to Note O)		
<b>Stockholders' equity</b>		
Trust preferred shares, 50,000 authorized; 12,600 shares issued and outstanding at September 30, 2023 and December 31, 2022		
Series A preferred shares, no par value; 4,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	96,417	96,417
Series B preferred shares, no par value; 4,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	96,504	96,504
Series C preferred shares, no par value; 4,600 shares issued and outstanding at September 30, 2023 and December 31, 2022	110,997	110,997
Trust common shares, no par value, 500,000 authorized; 72,203 shares issued and 71,820 shares outstanding at September 30, 2023 and 72,203 issue and outstanding at December 31, 2022	1,206,917	1,207,044
Treasury shares, at cost	(7,389)	—
Accumulated other comprehensive income (loss)	(1,186)	(1,136)
Accumulated deficit	(362,680)	(372,906)
Total stockholders' equity attributable to Holdings	1,139,580	1,136,920
Noncontrolling interest	250,169	223,509
Noncontrolling interest of discontinued operations	—	1,533
Total stockholders' equity	1,389,749	1,361,962
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,810,812</b>	<b>\$ 3,849,631</b>

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(in thousands, except per share data)</i>				
Net revenues	\$ 569,565	\$ 575,819	\$ 1,635,952	\$ 1,601,929
Cost of revenues	315,347	346,260	907,013	959,798
<b>Gross profit</b>	<b>254,218</b>	<b>229,559</b>	<b>728,939</b>	<b>642,131</b>
Operating expenses:				
Selling, general and administrative expense	147,962	144,040	442,345	390,336
Management fees	18,596	16,592	51,911	45,929
Amortization expense	26,657	25,152	79,708	67,178
Impairment expense	32,568	—	32,568	—
<b>Operating income</b>	<b>28,435</b>	<b>43,775</b>	<b>122,407</b>	<b>138,688</b>
Other income (expense):				
Interest expense, net	(27,560)	(22,799)	(80,355)	(57,737)
Amortization of debt issuance costs	(1,005)	(1,004)	(3,034)	(2,735)
Loss on debt extinguishment	—	(534)	—	(534)
Other income (expense), net	1,043	(1,917)	2,069	856
<b>Income from continuing operations before income taxes</b>	<b>913</b>	<b>17,521</b>	<b>41,087</b>	<b>78,538</b>
Provision for income taxes	5,947	20,493	20,227	36,601
<b>Income (loss) from continuing operations</b>	<b>(5,034)</b>	<b>(2,972)</b>	<b>20,860</b>	<b>41,937</b>
Income (loss) from discontinued operations, net of income taxes	—	4,078	(1,391)	14,452
Gain on sale of discontinued operations, net of income taxes	1,274	1,479	103,495	6,893
<b>Net income (loss)</b>	<b>(3,760)</b>	<b>2,585</b>	<b>122,964</b>	<b>63,282</b>
Less: Net income from continuing operations attributable to noncontrolling interest	6,394	3,675	14,892	12,247
Less: Net income (loss) from discontinued operations attributable to noncontrolling interest	—	684	(777)	2,680
<b>Net income (loss) attributable to Holdings</b>	<b>\$ (10,154)</b>	<b>\$ (1,774)</b>	<b>\$ 108,849</b>	<b>\$ 48,355</b>
<b>Amounts attributable to Holdings</b>				
Income (loss) from continuing operations	\$ (11,428)	\$ (6,647)	\$ 5,968	\$ 29,690
Income (loss) from discontinued operations, net of income tax	—	3,394	(614)	11,772
Gain on sale of discontinued operations, net of income tax	1,274	1,479	103,495	6,893
Net income (loss) attributable to Holdings	<b>\$ (10,154)</b>	<b>\$ (1,774)</b>	<b>\$ 108,849</b>	<b>\$ 48,355</b>
<b>Basic income (loss) per common share attributable to Holdings (refer to Note J)</b>				
Continuing operations	\$ (0.35)	\$ (0.27)	\$ (0.74)	\$ (0.04)
Discontinued operations	0.02	0.06	1.43	0.24
<b>Basic income (loss) per common share attributable to Holdings (refer to Note J)</b>	<b>\$ (0.33)</b>	<b>\$ (0.21)</b>	<b>\$ 0.69</b>	<b>\$ 0.20</b>
Basic weighted average number of shares of common shares outstanding	71,881	71,910	71,996	70,514
Cash distributions declared per Trust common share (refer to Note J)	\$ 0.25	\$ 0.25	\$ 0.75	\$ 0.75

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Net income (loss)</b>	\$ (3,760)	\$ 2,585	\$ 122,964	\$ 63,282
Other comprehensive income (loss)				
Foreign currency translation adjustments	(1,114)	(2,144)	742	(3,620)
Pension benefit liability, net	(354)	216	(792)	2,055
Other comprehensive loss	(1,468)	(1,928)	(50)	(1,565)
Total comprehensive income (loss), net of tax	\$ (5,228)	\$ 657	122,914	61,717
Less: Net income attributable to noncontrolling interests	6,394	4,359	14,115	14,927
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(22)	(30)	14	(32)
<b>Total comprehensive income (loss) attributable to Holdings, net of tax</b>	<b>\$ (11,600)</b>	<b>\$ (3,672)</b>	<b>\$ 108,785</b>	<b>\$ 46,822</b>

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

<i>(in thousands)</i>	Trust Preferred Shares			Trust Common Shares	Treasury Shares	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Holdings	Non- Controlling Interest	Non- Controlling Interest Attributable to Disc. Ops.	Total Stockholders' Equity
	Series A	Series B	Series C								
<b>Balance — July 1, 2022</b>	\$ 96,417	\$ 96,504	\$ 110,997	\$ 1,185,348	\$ —	\$ (311,092)	\$ (665)	\$ 1,177,509	\$ 177,707	\$ (370)	\$ 1,354,846
Net income (loss)	—	—	—	—	—	(1,774)	—	(1,774)	3,675	684	2,585
Total comprehensive loss, net	—	—	—	—	—	—	(1,928)	(1,928)	—	—	(1,928)
Issuance of Trust common shares	—	—	—	21,734	—	—	—	21,734	—	—	21,734
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	3,117	124	3,241
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	642	—	642
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(424)	—	(424)
Acquisition of PrimaLoft	—	—	—	—	—	—	—	—	35,263	—	35,263
Distributions paid - Trust Common Shares	—	—	—	—	—	(17,931)	—	(17,931)	—	—	(17,931)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(6,045)	—	(6,045)	—	—	(6,045)
<b>Balance — September 30, 2022</b>	<u>\$ 96,417</u>	<u>\$ 96,504</u>	<u>\$ 110,997</u>	<u>\$ 1,207,082</u>	<u>\$ —</u>	<u>\$ (336,842)</u>	<u>\$ (2,593)</u>	<u>\$ 1,171,565</u>	<u>\$ 219,980</u>	<u>\$ 438</u>	<u>\$ 1,391,983</u>
<b>Balance — July 1, 2023</b>	\$ 96,417	\$ 96,504	\$ 110,997	\$ 1,206,953	\$ (5,856)	\$ (328,507)	\$ 282	\$ 1,176,790	\$ 240,815	\$ —	\$ 1,417,605
Net income (loss)	—	—	—	—	—	(10,154)	—	(10,154)	6,394	—	(3,760)
Total comprehensive loss, net	—	—	—	—	—	—	(1,468)	(1,468)	—	—	(1,468)
Issuance of Trust common shares	—	—	—	(36)	—	—	—	(36)	—	—	(36)
Purchase of Trust common shares for treasury	—	—	—	—	(1,533)	—	—	(1,533)	—	—	(1,533)
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	3,174	—	3,174
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	293	—	293
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(507)	—	(507)
Distributions paid - Trust Common Shares	—	—	—	—	—	(17,974)	—	(17,974)	—	—	(17,974)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(6,045)	—	(6,045)	—	—	(6,045)
<b>Balance — September 30, 2023</b>	<u>\$ 96,417</u>	<u>\$ 96,504</u>	<u>\$ 110,997</u>	<u>\$ 1,206,917</u>	<u>\$ (7,389)</u>	<u>\$ (362,680)</u>	<u>\$ (1,186)</u>	<u>\$ 1,139,580</u>	<u>\$ 250,169</u>	<u>\$ —</u>	<u>\$ 1,389,749</u>



**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

(in thousands)

	Trust Preferred Shares			Trust Common Shares	Treasury Shares	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Holdings	Non-Controlling Interest	Non-Controlling Interest Attributable to Disc. Ops.	Total Stockholders' Equity
	Series A	Series B	Series C								
<b>Balance — January 1, 2022</b>	\$ 96,417	\$ 96,504	\$ 110,997	\$ 1,123,193	\$ —	\$ (314,267)	\$ (1,028)	\$ 1,111,816	\$ 175,328	\$ (2,614)	\$ 1,284,530
Net income	—	—	—	—	—	48,355	—	48,355	12,247	2,680	63,282
Total comprehensive loss, net	—	—	—	—	—	—	(1,565)	(1,565)	—	—	(1,565)
Issuance of Trust common shares	—	—	—	83,889	—	—	—	83,889	—	—	83,889
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	8,479	372	8,851
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	1,082	—	1,082
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(1,127)	—	(1,127)
Distributions paid to noncontrolling shareholders	—	—	—	—	—	—	—	—	(11,292)	—	(11,292)
Acquisition of PrimaLoft	—	—	—	—	—	—	—	—	35,263	—	35,263
Distributions paid - Trust Common Shares	—	—	—	—	—	(52,794)	—	(52,794)	—	—	(52,794)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(18,136)	—	(18,136)	—	—	(18,136)
<b>Balance — September 30, 2022</b>	<u>\$ 96,417</u>	<u>\$ 96,504</u>	<u>\$ 110,997</u>	<u>\$ 1,207,082</u>	<u>\$ —</u>	<u>\$ (336,842)</u>	<u>\$ (2,593)</u>	<u>\$ 1,171,565</u>	<u>\$ 219,980</u>	<u>\$ 438</u>	<u>\$ 1,391,983</u>
<b>Balance — January 1, 2023</b>	\$ 96,417	\$ 96,504	\$ 110,997	\$ 1,207,044	\$ —	\$ (372,906)	\$ (1,136)	\$ 1,136,920	\$ 223,509	\$ 1,533	\$ 1,361,962
Net income (loss)	—	—	—	—	—	108,849	—	108,849	14,892	(777)	122,964
Total comprehensive loss, net	—	—	—	—	—	—	(50)	(50)	—	—	(50)
Issuance of Trust common shares	—	—	—	(127)	—	—	—	(127)	—	—	(127)
Purchase of Trust common shares for treasury	—	—	—	—	(7,389)	—	—	(7,389)	—	—	(7,389)
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	8,885	973	9,858
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	350	—	350
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(1,622)	—	(1,622)
Acquisition of Baum Bat	—	—	—	—	—	—	—	—	4,155	—	4,155
Disposition of ACI	—	—	—	—	—	—	—	—	—	(1,729)	(1,729)
Distributions paid - Allocation Interests (refer to Note J)	—	—	—	—	—	(26,475)	—	(26,475)	—	—	(26,475)
Distributions paid - Trust Common Shares	—	—	—	—	—	(54,012)	—	(54,012)	—	—	(54,012)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(18,136)	—	(18,136)	—	—	(18,136)
<b>Balance — September 30, 2023</b>	<u>\$ 96,417</u>	<u>\$ 96,504</u>	<u>\$ 110,997</u>	<u>\$ 1,206,917</u>	<u>\$ (7,389)</u>	<u>\$ (362,680)</u>	<u>\$ (1,186)</u>	<u>\$ 1,139,580</u>	<u>\$ 250,169</u>	<u>\$ —</u>	<u>\$ 1,389,749</u>

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(in thousands)</i>	Nine months ended September 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net income	\$ 122,964	\$ 63,282
Income (loss) from discontinued operations	(1,391)	14,452
Gain on sale of discontinued operations	103,495	6,893
Income from continuing operations	20,860	41,937
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	37,264	31,059
Amortization expense - intangibles	79,708	67,178
Amortization expense - inventory step-up	1,135	4,899
Amortization of debt issuance costs	3,034	2,735
Impairment expense	32,568	—
Noncontrolling stockholder stock based compensation	8,885	8,479
Provision for receivable and inventory reserves	(381)	1,143
Deferred taxes	(11,784)	8,528
Loss on debt extinguishment	—	534
Other	832	762
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(20,029)	(45,211)
Inventories	(73,402)	(159,978)
Other current and non-current assets	(2,070)	(16,524)
Accounts payable and accrued expenses	(18,381)	(285)
Cash provided by (used in) operating activities - continuing operations	58,239	(54,744)
Cash provided by (used in) operating activities - discontinued operations	(1,287)	14,821
Cash provided by (used in) provided by operating activities	56,952	(39,923)
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash acquired	(23,298)	(564,885)
Purchases of property and equipment	(43,648)	(39,471)
Proceeds from sale of businesses	105,123	6,893
Other investing activities	(2,055)	(1,276)
Cash provided by (used in) investing activities - continuing operations	36,122	(598,739)
Cash provided by (used in) investing activities - discontinued operations	68,169	(212)
Cash provided by (used in) investing activities	104,291	(598,951)

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(in thousands)</i>	Nine months ended September 30,	
	2023	2022
<b>Cash flows from financing activities:</b>		
Proceeds and expenses from issuance of Trust common shares, net	(127)	83,889
Purchase of treasury shares, net	(7,389)	—
Borrowings under credit facility	287,000	169,000
Repayments under credit facility	(330,000)	(56,000)
Issuance of term loan	—	400,000
Principal payments - term loan	(7,500)	(2,500)
Distributions paid - common shares	(54,012)	(52,794)
Distributions paid - preferred shares	(18,136)	(18,136)
Distributions paid - allocation interests	(26,475)	—
Distributions paid to noncontrolling shareholders	—	(11,292)
Net proceeds provided by noncontrolling shareholders	350	1,082
Net proceeds provided by noncontrolling shareholders - acquisitions	—	35,263
Purchase of noncontrolling interest	(1,622)	(1,127)
Debt issuance costs	—	(5,276)
Other	(16)	19
Net cash provided by (used in) financing activities	(157,927)	542,128
Foreign currency impact on cash	150	(2,735)
Net increase (decrease) in cash and cash equivalents	3,466	(99,481)
Cash and cash equivalents — beginning of period <sup>(1)</sup>	61,271	160,733
Cash and cash equivalents — end of period <sup>(2)</sup>	\$ 64,737	\$ 61,252

<sup>(1)</sup> Includes cash from discontinued operations of \$3.4 million at January 1, 2023 and \$3.6 million at January 1, 2022.

<sup>(2)</sup> Includes cash from discontinued operations of \$3.7 million at September 30, 2022.

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**September 30, 2023**

**Note A - Presentation and Principles of Consolidation**

Compass Diversified Holdings, a Delaware statutory trust (the "Trust") and Compass Group Diversified Holdings LLC, a Delaware limited liability company (the "LLC"), were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. Collectively, Compass Diversified Holdings and Compass Group Diversified Holdings, LLC are referred to as the "Company". In accordance with the Third Amended and Restated Trust Agreement, dated as of August 3, 2021 (as amended and restated, the "Trust Agreement"), the Trust is sole owner of 100% of the Trust Interests (as defined in the Company's Sixth Amended and Restated Operating Agreement, dated as of August 3, 2021 (as amended and restated, the "LLC Agreement")) of the LLC and, pursuant to the LLC Agreement, the LLC has, outstanding, the identical number of Trust Interests as the number of outstanding common shares of the Trust. The LLC is the operating entity with a board of directors and other corporate governance responsibilities, similar to that of a Delaware corporation.

The LLC is a controlling owner of ten businesses, or operating segments, at September 30, 2023. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Lugano Holdings, Inc. ("Lugano Diamonds" or "Lugano"), Wheelhouse Holdings, Inc. ("Marucci Sports" or "Marucci"), Relentless Intermediate, Inc. ("PrimaLoft"), Velocity Outdoor, Inc. ("Velocity Outdoor" or "Velocity"), AMT Acquisition Corporation ("Arnold"), FFI Compass, Inc. ("Altor Solutions" or "Altor") (formerly "Foam Fabricators"), and Sterno Products, LLC ("Sterno"). The segments are referred to interchangeably as "businesses", "operating segments" or "subsidiaries" throughout the financial statements. Refer to [Note E - "Operating Segment Data"](#) for further discussion of the operating segments. Compass Group Management LLC, a Delaware limited liability Company ("CGM" or the "Manager"), manages the day to day operations of the LLC and oversees the management and operations of our businesses pursuant to a management services agreement (the "Management Services Agreement" or "MSA").

*Basis of Presentation*

The condensed consolidated financial statements for the three and nine month periods ended September 30, 2023 and September 30, 2022 are unaudited, and in the opinion of management, contain all adjustments necessary for a fair presentation of the condensed consolidated financial statements. Such adjustments consist solely of normal recurring items. Interim results are not necessarily indicative of results for a full year or any subsequent interim period. The condensed consolidated financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") and presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of the Company. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

*Consolidation*

The condensed consolidated financial statements include the accounts of the Trust and the Company, as well as the businesses acquired as of their respective acquisition date. All significant intercompany accounts and transactions have been eliminated in consolidation. Discontinued operating entities are reflected as discontinued operations in the Company's results of operations and statements of financial position.

*Discontinued Operations*

During the first quarter of 2023, the Company completed the sale of Compass AC Holdings, Inc. ("Advanced Circuits or ACI"). The results of operations of ACI are reported as discontinued operations in the condensed consolidated statements of operations for the nine months ended September 30, 2023 and the three and nine months ended September 30, 2022. Refer to [Note C - "Discontinued Operations"](#) for additional information. Unless otherwise indicated, the disclosures accompanying the condensed consolidated financial statements reflect the Company's continuing operations.

### Seasonality

Earnings of certain of our operating segments are seasonal in nature due to various recurring events, holidays and seasonal weather patterns, as well as the timing of our acquisitions during a given year. Historically, the third and fourth quarters produce the highest net sales during our fiscal year, however, due to various acquisitions since 2020, there is generally less seasonality in our net sales on a consolidated basis than there has been historically.

### **Note B — Acquisitions**

The acquisitions of our businesses are accounted for under the acquisition method of accounting. For each platform acquisition, the Company typically structures the transaction so that a newly created holding company acquires 100% of the equity interests in the acquired business. The entirety of the purchase consideration is paid by the newly created holding company to the selling shareholders. The total purchase consideration is the amount paid to the selling shareholders and we will, from time to time, allow the selling shareholder to reinvest a portion of their proceeds alongside the Company at the same price per share, into the holding company that acquires the target business. Once the acquisition is complete, the selling shareholders no longer hold equity interests in the acquired company, but rather hold noncontrolling interest in the holding company that acquired the target business. Because the selling shareholders are investing in the transaction alongside the Company at the same price per share as the Company and are not retaining their existing equity in the acquired business, the Company includes the amount provided by noncontrolling shareholders in the total purchase consideration.

A component of our acquisition financing strategy that we utilize in acquiring the businesses we own and manage is to provide both equity capital and debt capital, raised at the parent level, typically through our existing credit facility. The debt capital is in the form of "intercompany loans" made by the LLC to the newly created holding company and the acquired business and are due from the newly created holding company and the acquired business, and payable to the LLC by the newly created holding company and the acquired business. The selling shareholders of the acquired businesses are not a party to the intercompany loan agreements nor do they have any obligation to repay the intercompany loans. These intercompany loans eliminate in consolidation and are not reflected on the Company's consolidated balance sheets.

#### *Acquisition of PrimaLoft*

On July 12, 2022, the LLC, through its newly formed indirect acquisition subsidiary, Relentless Intermediate, Inc. ("PrimaLoft Buyer"), acquired PrimaLoft Technologies Holdings, Inc. ("PrimaLoft") pursuant to a Stock Purchase Agreement (the "PrimaLoft Purchase Agreement"), dated June 4, 2022, by and between PrimaLoft Buyer and VP PrimaLoft Holdings, LLC ("PrimaLoft Seller"). The Company acquired PrimaLoft for a total purchase price, including proceeds from noncontrolling shareholders, of approximately \$541.1 million. The Company funded the acquisition through a draw on its 2022 Revolving Credit Facility and the proceeds from its \$400 million 2022 Term Loan Facility. PrimaLoft management invested in the transaction along with the Company, representing 9.2% of the initial equity interest in PrimaLoft. Concurrent with the closing, the Company provided a credit facility to PrimaLoft pursuant to which a secured revolving loan commitment and secured term loan were made available to PrimaLoft (the "PrimaLoft Credit Agreement"). The initial revolving loan and term loan commitments under these facilities on the closing date were \$178 million. CGM received integration service fees of \$4.8 million quarterly over the twelve-month period ended June 30, 2023. The Company incurred \$5.7 million of transaction costs in conjunction with the PrimaLoft acquisition, which was included in selling, general and administrative expense in the consolidated statements of operations during the third quarter of 2022.

PrimaLoft, Inc. is a branded, advanced material technology company based in Latham, New York and is focused on the research and innovative development of high-performance material solutions, specializing in insulations and fabrics.

The results of operations of PrimaLoft have been included in the consolidated results of operations since the date of acquisition. PrimaLoft's results of operations are reported as a separate operating segment as a branded consumer business. The table below provides the recording of the fair value of assets acquired and liabilities assumed as of the date of acquisition.

<i>(in thousands)</i>	<b>Preliminary Purchase Price Allocation</b>	<b>Measurement Period Adjustments</b>	<b>Final Purchase Price Allocation</b>
<b>Purchase Consideration</b>	\$ 539,576	\$ 1,536	\$ 541,112
<b>Fair value of identifiable assets acquired:</b>			
Cash	\$ 6,951	\$ —	\$ 6,951
Accounts receivable <sup>(4)</sup>	2,992	—	2,992
Inventory	1,991	—	1,991
Property, plant and equipment	1,058	—	1,058
Intangible assets	248,200	58,700	306,900
Other current and noncurrent assets	3,581	(1,187)	2,394
<b>Total identifiable assets</b>	<b>264,773</b>	<b>57,513</b>	<b>322,286</b>
<b>Fair value of liabilities assumed:</b>			
Current liabilities	8,865	(1,080)	7,785
Other liabilities	360	—	360
Deferred tax liabilities	51,268	12,108	63,376
<b>Total liabilities</b>	<b>60,493</b>	<b>11,028</b>	<b>71,521</b>
Net identifiable assets acquired	204,280	46,485	250,765
Goodwill	\$ 335,296	\$ (44,949)	\$ 290,347
<b>Acquisition consideration</b>			
Purchase price	\$ 530,000	\$ —	\$ 530,000
Cash acquired	7,319	(368)	6,951
Net working capital adjustment	2,257	1,904	4,161
Total purchase consideration	\$ 539,576	\$ 1,536	\$ 541,112

<sup>(4)</sup> The fair value of accounts receivable approximates book value acquired.

The allocation of the purchase price presented above is based on management's estimate of the fair values using valuation techniques including the income, cost and market approach. In estimating the fair value of the acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates and estimated discount rates. Current and noncurrent assets and current and other liabilities are valued at historical carrying values. Inventory is recognized at fair value, with finished goods stated at selling price less an estimated cost to sell. Property, plant and equipment is valued at fair value which approximates book value and will be depreciated on a straight-line basis over the remaining useful lives of the assets. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. The goodwill of \$290.3 million reflects the strategic fit of PrimaLoft in the Company's branded consumer business and is not expected to be deductible for income tax purposes. The PrimaLoft purchase price allocation was finalized in 2023.

The intangible assets recorded related to the PrimaLoft acquisition are as follows (in thousands):

Intangible Assets	Fair Value	Estimated Useful Lives
Customer relationships	\$ 209,100	15 years
Tradename	48,200	20 years
Technology	49,100	11 years
In-process research and development <sup>(1)</sup>	500	N/a
	\$ 306,900	

<sup>(1)</sup> In-process research and development is considered indefinite lived until the underlying technology becomes viable, at which point the intangible asset will be amortized over the expected useful life.

The customer relationships were considered the primary intangible asset and was valued at \$209.1 million using a multi-period excess earnings method. The technology was valued at \$49.1 million using a multi-period excess earnings methodology with an assumed obsolescence factor. The tradename was valued at \$48.2 million using a multi period excess earnings method. The multi period excess earnings method assumes an asset has value to the extent that it enables its owners to earn a return in excess of the other assets utilized in the business.

### **Unaudited pro forma information**

The following unaudited pro forma data for the three and nine months ended September 30, 2022 gives effect to the acquisition of PrimaLoft, as described above, as if this transaction had been completed as of January 1, 2022. The pro forma data gives effect to historical operating results with adjustments to interest expense, amortization and depreciation expense, management fees and related tax effects. The information is provided for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated on the date indicated, nor is it necessarily indicative of future operating results of the consolidated companies, and should not be construed as representing results for any future period.

<i>(in thousands, except per share data)</i>	Three months ended September 30, 2022	Nine months ended September 30, 2022
Net sales	\$ 578,138	\$ 1,657,114
Gross profit	\$ 231,312	\$ 675,919
Operating income	\$ 44,301	\$ 152,420
Net income (loss) from continuing operations	\$ (1,912)	\$ 42,466
Net income (loss) from continuing operations attributable to Holdings	\$ (5,520)	\$ 29,477
Basic and fully diluted net loss per share attributable to Holdings	\$ (0.26)	\$ (0.05)

### **Other acquisitions**

#### Marucci

*Baum Bat* - On April 3, 2023, Marucci acquired Baum Bat LLC ("Baum Bat"), a manufacturer and marketer of branded wood composite baseball bats, for a purchase price of approximately \$27.5 million, excluding customary closing adjustments. The acquisition and related transaction costs were funded through an additional loan of \$25.0 million under the Marucci intercompany loan agreement, and rollover equity from the selling shareholder of Baum Bat which was used to purchase common shares of Marucci. Marucci issued 11,783 shares to the selling shareholder in exchange for the rollover equity, which represents an ownership interest of approximately 1.0% in Marucci. Marucci paid approximately \$0.4 million in transaction expenses in connection with the acquisition of Baum Bat. Marucci recorded a preliminary purchase price allocation at September 30, 2023, including goodwill of \$8.1 million, which is expected to be deductible for income tax purposes, and intangible assets of \$19.3 million.

#### Velocity

*Kings Camo* - On July 8, 2022, Velocity acquired the assets of King's Camo LLC, a manufacturer of outdoor performance apparel and gear, for a purchase price of approximately \$25.2 million and included a potential earnout of \$3.0 million. The final earnout amount was \$1.3 million and was paid in the second quarter of 2023. The acquisition and related transaction costs were funded through an additional term loan of \$25.7 million under the

Velocity intercompany credit agreement. Velocity paid approximately \$0.2 million in transaction fees. Velocity recorded a purchase price allocation, including goodwill of approximately \$9.7 million, which is expected to be deductible for income tax purposes, and intangible assets of \$7.1 million. The remainder of the purchase consideration was allocated to net assets acquired. The purchase price allocation was finalized in the fourth quarter of 2022.

## Note C — Discontinued Operations

### Sale of Advanced Circuits

On January 10, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Compass AC Holdings, Inc., a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with APCT Inc. (“ACI Purchaser”), Circuit Merger Sub, Inc. (“ACI Merger Sub”) and Advanced Circuits, pursuant to which ACI Purchaser agreed to acquire all of the issued and outstanding securities of Advanced Circuits, the parent company of the operating entity, Advanced Circuits, Inc., through a merger of ACI Merger Sub with and into Advanced Circuits, with Advanced Circuits surviving the merger and becoming a wholly owned subsidiary of ACI Purchaser (the “ACI Merger”). The ACI Merger was completed on February 14, 2023. The sale price of Advanced Circuits was based on an enterprise value of \$220 million, subject to certain adjustments based on matters such as the working capital and cash and debt balances of Advanced Circuits at the time of the closing. After the allocation of the sales price to Advanced Circuits non-controlling equity holders and the payment of transaction expenses, the Company received approximately \$170.9 million of total proceeds at closing, of which \$66.9 million related to the repayment of intercompany loans with the Company. The Company recorded a gain on the sale of ACI of \$98.0 million, net of an income tax provision of \$6.8 million, in the first quarter of 2023. The Company recorded an additional gain on sale of \$2.1 million in the second quarter of 2023 related to the working capital settlement, and in the third quarter of 2023 adjusted the income tax provision to \$3.4 million, reflecting the loss at the LLC during the nine months ended September 30, 2023.

Summarized results of operations of ACI for the period of January 1, 2023 through the date of disposition and the three and nine months ended September 30, 2022 and are as follows (in thousands):

	For the period January 1, 2023 through disposition	Three months ended September 30, 2022	Nine months ended September 30, 2022
Net sales	\$ 8,829	\$ 21,788	\$ 67,194
Gross profit	\$ 3,663	\$ 9,757	\$ 30,782
Operating income	\$ 1,058	\$ 4,972	\$ 17,302
Income (loss) from continuing operations before income taxes	\$ (2,464)	\$ 4,749	\$ 17,052
Provision (benefit) for income taxes	\$ (1,073)	\$ 671	\$ 2,600
Income (loss) from discontinued operations <sup>(1)</sup>	\$ (1,391)	\$ 4,078	\$ 14,452

<sup>(1)</sup> The results of operations for the period from January 1, 2023 through disposition and the three and nine months ended September 30, 2022, each exclude \$1.4 million, \$3.3 million and \$4.9 million, respectively, of intercompany interest expense.



The following table presents summary balance sheet information of ACI that is presented as discontinued operations as of December 31, 2022 (in thousands):

	<b>December 31, 2022</b>	
<b>Assets</b>		
Cash and cash equivalents	\$	3,391
Accounts receivable, net		10,044
Inventories, net		4,345
Prepaid expenses and other current assets		346
Current assets of discontinued operations	\$	18,126
Property, plant and equipment, net		6,949
Goodwill		66,678
Other non-current assets		6,220
Non-current assets of discontinued operations	\$	79,847
<b>Liabilities</b>		
Accounts payable	\$	3,810
Accrued expenses		5,570
Due to related party		250
Other current liabilities		1,518
Current liabilities of discontinued operations	\$	11,148
Deferred income taxes		10,999
Other non-current liabilities		5,193
Non-current liabilities of discontinued operations	\$	16,192
Noncontrolling interest of discontinued operations	\$	1,533

#### **Note D — Revenue**

The Company recognizes revenue when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services, and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

**Disaggregated Revenue** - The Company disaggregates revenue by strategic business unit and by geography for each strategic business unit which are categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation also represents how the Company evaluates its financial performance, as well as how the Company communicates its financial performance to the investors and other users of its financial statements. Each strategic business unit represents the Company's reportable segments and offers different products and services.

The following tables provide disaggregation of revenue by reportable segment geography for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three months ended September 30, 2023					
	United States	Canada	Europe	Asia Pacific	Other International	Total
5.11	\$ 107,456	\$ 1,765	\$ 8,954	\$ 4,703	\$ 12,335	\$ 135,213
BOA	8,899	31	13,272	15,047	32	37,281
Ergobaby	8,316	1,165	7,301	6,097	339	23,218
Lugano	78,732	—	3	—	—	78,735
Marucci	45,449	1,035	319	1,629	68	48,500
PrimaLoft	275	—	989	9,603	63	10,930
Velocity Outdoor	49,840	2,294	1,153	169	1,013	54,469
Altor	50,173	—	—	—	9,042	59,215
Arnold	28,838	126	9,972	1,738	1,145	41,819
Sterno	77,344	2,229	600	12	—	80,185
	<u>\$ 455,322</u>	<u>\$ 8,645</u>	<u>\$ 42,563</u>	<u>\$ 38,998</u>	<u>\$ 24,037</u>	<u>\$ 569,565</u>

	Three months ended September 30, 2022					
	United States	Canada	Europe	Asia Pacific	Other International	Total
5.11	\$ 101,112	\$ 2,877	\$ 8,147	\$ 4,528	\$ 9,873	\$ 126,537
BOA	12,964	2	15,899	21,104	50	50,019
Ergobaby	6,903	918	6,713	6,526	480	21,540
Lugano	50,183	—	668	294	—	51,145
Marucci	41,170	436	5	1,136	6	42,753
PrimaLoft	344	40	691	9,383	254	10,712
Velocity Outdoor	69,713	2,361	1,997	205	1,206	75,482
Altor	62,368	—	—	—	7,250	69,618
Arnold	26,334	164	10,765	1,683	431	39,377
Sterno	86,652	2,275	(367)	(16)	92	88,636
	<u>\$ 457,743</u>	<u>\$ 9,073</u>	<u>\$ 44,518</u>	<u>\$ 44,843</u>	<u>\$ 19,642</u>	<u>\$ 575,819</u>

	Nine months ended September 30, 2023					
	United States	Canada	Europe	Asia Pacific	Other International	Total
5.11	\$ 306,610	\$ 7,896	\$ 24,926	\$ 12,701	\$ 33,562	\$ 385,695
BOA	30,576	155	42,725	39,610	324	113,390
Ergobaby	27,158	3,829	20,296	19,281	1,221	71,785
Lugano	203,568	—	3	—	—	203,571
Marucci	136,122	2,687	533	4,606	117	144,065
PrimaLoft	650	151	2,479	54,028	311	57,619
Velocity Outdoor	113,986	5,730	3,526	429	2,677	126,348
Altor	156,505	—	—	—	25,108	181,613
Arnold	83,393	584	30,061	4,582	3,427	122,047
Sterno	221,316	6,068	2,422	13	—	229,819
	<u>\$ 1,279,884</u>	<u>\$ 27,100</u>	<u>\$ 126,971</u>	<u>\$ 135,250</u>	<u>\$ 66,747</u>	<u>\$ 1,635,952</u>

**Nine months ended September 30, 2022**

	United States	Canada	Europe	Asia Pacific	Other International	Total
5.11	\$ 278,458	\$ 7,958	\$ 24,466	\$ 12,578	\$ 27,148	\$ 350,608
BOA	49,142	639	53,829	62,448	157	166,215
Ergobaby	24,917	3,041	22,388	17,140	770	68,256
Lugano	136,267	—	668	294	—	137,229
Marucci	118,893	1,380	34	2,130	44	122,481
PrimaLoft	344	40	691	9,383	254	10,712
Velocity Outdoor	159,863	8,853	7,010	1,047	4,001	180,774
Altor	179,885	—	—	—	19,705	199,590
Arnold	79,940	601	29,202	5,032	1,544	116,319
Sterno	243,034	6,142	372	86	111	249,745
	<u>\$ 1,270,743</u>	<u>\$ 28,654</u>	<u>\$ 138,660</u>	<u>\$ 110,138</u>	<u>\$ 53,734</u>	<u>\$ 1,601,929</u>

**Note E — Operating Segment Data**

At September 30, 2023, the Company had ten reportable operating segments. Each operating segment represents a platform acquisition. The Company's operating segments are strategic business units that offer different products and services. While each is actively managed by the Company, they are managed separately because each business requires different technology and marketing strategies. A description of each of the reportable segments and the types of products from which each segment derives its revenues is as follows:

- 5.11 is a leading provider of purpose-built technical apparel and gear for law enforcement, firefighters, EMS, and military special operations as well as outdoor and adventure enthusiasts. 5.11 is a brand known for innovation and authenticity, and works directly with end users to create purpose-built apparel and gear designed to enhance the safety, accuracy, speed and performance of tactical professionals and enthusiasts worldwide. Headquartered in Costa Mesa, California, 5.11 operates sales offices and distribution centers globally, and 5.11 products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com.
- BOA, creator of the revolutionary, award-winning, patented BOA Fit System, partners with market-leading brands to make the best gear even better. Delivering fit solutions purpose-built for performance, the BOA Fit System is featured in footwear across snow sports, cycling, outdoor, athletic, workwear as well as performance headwear and medical bracing. The system consists of three integral parts: a micro-adjustable dial, high-tensile lightweight laces, and low friction lace guides creating a superior alternative to laces, buckles, Velcro, and other traditional closure mechanisms. Each unique BOA configuration is designed with brand partners to deliver superior fit and performance for athletes, is engineered to perform in the toughest conditions and is backed by The BOA Lifetime Guarantee. BOA is headquartered in Denver, Colorado and has offices in Austria, Greater China, South Korea, and Japan.
- Ergobaby, headquartered in Torrance, California, is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers, bouncers and related products. Ergobaby primarily sells its Ergobaby and Baby Tula branded products through brick-and-mortar retailers, national chain stores, online retailers, its own websites and distributors and derives more than 50% of its sales from outside of the United States.
- Lugano Diamonds is a leading designer, manufacturer and marketer of high-end, one-of-a-kind jewelry sought after by some of the world's most discerning clientele. Lugano conducts sales via its own retail salons as well as pop-up showrooms at Lugano-hosted or sponsored events in partnership with influential organizations in the equestrian, art and philanthropic community. Lugano is headquartered in Newport Beach, California.
- Marucci Sports is a leading designer, manufacturer, and marketer of premium wood and metal baseball bats, composite bats, fielding gloves, batting gloves, bags, protective gear, sunglasses, on and off-field apparel, and other baseball and softball equipment used by professional and amateur athletes. Marucci also develops corporate-owned and franchised sports training facilities. Marucci is headquartered in Baton Rouge, Louisiana.

- PrimaLoft is a leading provider of branded, high-performance synthetic insulation and materials used primarily in consumer outerwear, and accessories. The portfolio of PrimaLoft synthetic insulations offers products that can both mimic natural down aesthetics and provide the freedom to design garments ranging from stylish puffers to lightweight performance apparel. PrimaLoft insulations also offer superior economics to the brand partner and enable better sustainability characteristics through the use of recycled, low-carbon inputs. PrimaLoft is headquartered in Latham, New York.
- Velocity Outdoor is a leading designer, manufacturer, and marketer of airguns, archery products, laser aiming devices, hunting apparel and related accessories. Velocity Outdoor offers its products under the highly recognizable Crosman, Benjamin, LaserMax, Ravin, CenterPoint and King's Camo brands that are available through national retail chains, mass merchants, dealer and distributor networks. The airgun product category consists of air rifles, air pistols and a range of accessories including targets, holsters and cases. Velocity Outdoor's other primary product categories are archery, with products including CenterPoint and Ravin crossbows, consumables, which includes steel and plastic BBs, lead pellets and CO2 cartridges, lasers for firearms, and airsoft products. The apparel category offers high-performance, feature rich hunting and casual apparel of uncompromised quality utilizing King's own proprietary camo patterns. Velocity Outdoor is headquartered in Bloomfield, New York.
- Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer components made from expanded polystyrene and expanded polypropylene. Altor provides products to a variety of end markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building and other products. Altor is headquartered in Scottsdale, Arizona and operates 18 molding and fabricating facilities across North America.
- Arnold is a global solutions provider and manufacturer of engineered solutions for a wide range of specialty applications and end-markets, including aerospace and defense, general industrial, motorsport/transportation, oil and gas, medical, energy, reprographics and advertising specialties. Arnold engineers solutions for and produces high performance permanent magnets (PMAG), stators, rotors and full electric motors ("Ramco"), precision foil products (Precision Thin Metals or "PTM"), and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Based on its long-term relationships, Arnold has built a diverse and blue-chip customer base totaling more than 2,000 customers and leading systems-integrators worldwide with a focus on North America, Europe, and Asia. Arnold has built a preferred rare earth supply chain and has leading rare earth and other permanent magnet production capabilities. Arnold is headquartered in Rochester, New York.
- Sterno is a leading manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the consumer markets. Sterno offers a broad range of wick and gel chafing systems, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps through Sterno Products, scented wax cubes, warmer products, outdoor lighting and essential oils used for home decor and fragrance systems through Rimports. Sterno is headquartered in Plano, Texas.

The tabular information that follows shows data for each of the operating segments reconciled to amounts reflected in the consolidated financial statements. The operations of each of the operating segments are included in consolidated operating results as of their date of acquisition. Segment profit is determined based on internal performance measures used by the Manager to assess the performance of each business. Corporate consists of corporate overhead and management fees that are not allocated to any of the Company's reportable segments. There were no significant inter-segment transactions.

## Summary of Operating Segments

Net Revenues <i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
5.11	\$ 135,213	\$ 126,537	\$ 385,695	\$ 350,608
BOA	37,281	50,019	113,390	166,215
Ergobaby	23,218	21,540	71,785	68,256
Lugano	78,735	51,145	203,571	137,229
Marucci	48,500	42,753	144,065	122,481
PrimaLoft	10,930	10,712	57,619	10,712
Velocity Outdoor	54,469	75,482	126,348	180,774
Altor Solutions	59,215	69,618	181,613	199,590
Arnold	41,819	39,377	122,047	116,319
Sterno	80,185	88,636	229,819	249,745
Total segment revenue	569,565	575,819	1,635,952	1,601,929
Corporate	—	—	—	—
Total consolidated revenues	\$ 569,565	\$ 575,819	\$ 1,635,952	\$ 1,601,929

Segment Profit (Loss) <i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
5.11	\$ 13,400	\$ 12,091	\$ 31,652	\$ 30,301
BOA	6,684	12,975	22,685	50,237
Ergobaby	1,288	593	4,202	3,866
Lugano	27,963	12,635	64,872	35,885
Marucci	11,062	7,692	28,364	14,141
PrimaLoft	(2,756)	(8,469)	5,082	(8,469)
Velocity Outdoor	(28,581)	10,225	(33,467)	18,721
Altor Solutions	8,749	6,561	24,906	18,303
Arnold	4,739	5,462	15,390	14,075
Sterno	6,438	2,795	18,019	13,783
Total segment operating income	48,986	62,560	181,705	190,843
Corporate	(20,551)	(18,785)	(59,298)	(52,155)
Total consolidated operating income	28,435	43,775	122,407	138,688

### Reconciliation of segment operating income (loss) to consolidated income from continuing operations before income taxes:

Interest expense, net	(27,560)	(22,799)	(80,355)	(57,737)
Amortization of debt issuance costs	(1,005)	(1,004)	(3,034)	(2,735)
Loss on debt extinguishment	—	(534)	—	(534)
Other income (expense), net	1,043	(1,917)	2,069	856
Total consolidated income from continuing operations before income taxes	\$ 913	\$ 17,521	\$ 41,087	\$ 78,538

Depreciation and Amortization Expense (in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
5.11	\$ 6,494	\$ 5,701	\$ 19,645	\$ 16,648
BOA	5,875	5,517	17,267	16,161
Ergobaby	2,009	2,008	6,038	5,998
Lugano	1,913	2,976	6,522	8,090
Marucci	3,396	2,467	9,768	9,447
PrimaLoft	5,283	4,107	15,843	4,107
Velocity Outdoor	3,267	3,327	9,846	9,740
Altor Solutions	4,154	4,062	12,374	12,069
Arnold	2,085	1,895	6,126	5,942
Sterno	4,872	4,956	14,678	14,934
Total	39,348	37,016	118,107	103,136
<b>Reconciliation of segment to consolidated total:</b>				
Amortization of debt issuance costs	1,005	1,004	3,034	2,735
Consolidated total	\$ 40,353	\$ 38,020	\$ 121,141	\$ 105,871

(in thousands)	Accounts Receivable		Identifiable Assets	
	September 30, 2023	December 31, 2022	September 30, 2023 <sup>(1)</sup>	December 31, 2022 <sup>(1)</sup>
5.11	\$ 52,661	\$ 53,589	\$ 436,032	\$ 450,537
BOA	1,966	1,630	230,416	240,359
Ergobaby	12,581	11,213	75,594	84,657
Lugano	105,094	85,911	466,925	327,795
Marucci	30,373	35,185	188,362	181,528
PrimaLoft	1,377	2,486	298,806	310,914
Velocity Outdoor	36,028	33,159	223,427	224,356
Altor Solutions	43,133	42,368	186,749	198,943
Arnold	26,973	23,666	107,797	105,196
Sterno	51,426	54,400	186,514	210,780
Sales allowance accounts	(11,773)	(12,211)	—	—
Total	349,839	331,396	2,400,622	2,335,065
<b>Reconciliation of segment to consolidated totals:</b>				
Corporate and other identifiable assets	—	—	18,882	18,471
Total	\$ 349,839	\$ 331,396	\$ 2,419,504	\$ 2,451,509

<sup>(1)</sup> Does not include accounts receivable balances per schedule above or goodwill balances - refer to [Note G - "Goodwill and Other Intangible Assets"](#).

## Note F — Property, Plant and Equipment and Inventory

### Property, plant and equipment

Property, plant and equipment is comprised of the following at September 30, 2023 and December 31, 2022 (*in thousands*):

	September 30, 2023	December 31, 2022
Machinery and equipment	\$ 238,720	\$ 225,027
Furniture, fixtures and other	73,091	66,445
Leasehold improvements	95,854	75,318
Buildings and land	13,535	13,386
Construction in process	17,539	18,091
	438,739	398,267
Less: accumulated depreciation	(235,227)	(199,742)
Total	\$ 203,512	\$ 198,525

Depreciation expense was \$12.7 million and \$37.3 million for the three and nine months ended September 30, 2023, respectively and \$10.8 million and \$31.1 million for the three and nine months ended September 30, 2022, respectively.

### Inventory

Inventory is comprised of the following at September 30, 2023 and December 31, 2022 (*in thousands*):

	September 30, 2023	December 31, 2022
Raw materials	\$ 101,002	\$ 104,735
Work-in-process	30,805	30,158
Finished goods	699,606	621,854
Less: obsolescence reserve	(29,526)	(28,664)
Total	\$ 801,887	\$ 728,083

## Note G — Goodwill and Other Intangible Assets

As a result of acquisitions of various businesses, the Company has significant intangible assets on its balance sheet that include goodwill and indefinite-lived intangibles. The Company's goodwill and indefinite-lived intangibles are tested and reviewed for impairment annually as of March 31st or more frequently if facts and circumstances warrant by comparing the fair value of each reporting unit to its carrying value. Each of the Company's businesses represent a reporting unit.

### Goodwill

#### Annual Impairment Testing

The Company uses a qualitative approach to test goodwill and indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform quantitative goodwill impairment testing.

#### 2023 Interim Impairment Testing

Velocity Outdoor - The Company performed interim quantitative impairment testing of goodwill at Velocity at August 31, 2023. As a result of operating results that were below the forecast that we used in the quantitative impairment test of Velocity Outdoor at March 31, 2023, the Company determined that a triggering event had occurred at Velocity in the third quarter of 2023 and performed an interim impairment test as of August 31, 2023. The Company used an income approach for the impairment test, whereby we estimate the fair value of the reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins, and take into consideration industry and market conditions as well as company

specific economic factors. The Company used a weighted average cost of capital of 17% in the income approach. The discount rate used was based on the weighted average cost of capital adjusted for the relevant risk associated with business specific characteristics and Velocity's ability to execute on projected cash flows. Based on the results of the impairment test, the fair value of Velocity did not exceed its carrying value. The Company recorded goodwill impairment of \$32.6 million in the quarter ending September 30, 2023.

#### *2023 Annual Impairment Testing*

The Company determined that the Velocity reporting unit required additional quantitative testing because we could not conclude that the fair value of the reporting unit exceeded its carrying value based on qualitative factors alone. For the reporting units that were tested only on a qualitative basis for the 2023 annual impairment testing, the results of the qualitative analysis indicated that it is more likely than not that the fair value exceeded the carrying value of these reporting units.

The quantitative test of Velocity was performed using an income approach to determine the fair value of the reporting unit. The discount rate used in the income approach was 15% and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by 21%.

#### *2022 Annual Impairment Testing*

The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units exceeded their carrying value for the 2022 annual impairment testing.

#### **Interim Impairment Testing**

##### *2022 Interim Impairment Testing*

Ergobaby - The Company performed interim quantitative impairment testing at Ergobaby of goodwill and the indefinite lived tradename at December 31, 2022. As a result of operating results that were below historical and forecast amounts, the Company determined that a triggering event had occurred at Ergobaby. The Company used an income approach for the impairment test, whereby we estimate the fair value of the reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins, and take into consideration industry and market conditions as well as company specific economic factors. The Company used a weighted average cost of capital of 16% in the income approach. The discount rate used was based on the weighted average cost of capital adjusted for the relevant risk associated with business specific characteristics and Ergobaby's ability to execute on projected cash flows. Based on the results of the impairment test, the fair value of Ergobaby did not exceed its carrying value. We recorded goodwill impairment of \$20.6 million at December 31, 2022. For the indefinite lived tradename, quantitative testing indicated that the fair value exceeded the carrying value.

The following is a summary of the net carrying amount of goodwill at September 30, 2023 and December 31, 2022, is as follows (*in thousands*):

	September 30, 2023	December 31, 2022
Goodwill - gross carrying amount	\$ 1,152,334	\$ 1,145,023
Accumulated impairment losses <sup>(4)</sup>	(110,865)	(78,297)
Goodwill - net carrying amount	\$ 1,041,469	\$ 1,066,726

<sup>(4)</sup> Includes accumulated goodwill impairment expense of \$20.6 million recorded at Ergobaby, \$65.4 million at Velocity and \$24.9 million at Arnold. In the nine months ended September 30, 2023, the Company recorded \$32.6 million of goodwill impairment expense at Velocity, and in the year ended December 31, 2022, the Company recorded \$20.6 million in goodwill impairment expense at Ergobaby.



The following is a reconciliation of the change in the carrying value of goodwill for the nine months ended September 30, 2023 by operating segment (*in thousands*):

	Balance at January 1, 2023	Acquisitions/Measurement Period Adjustments	Goodwill Impairment	Balance at September 30, 2023
5.11	\$ 92,966	\$ —	\$ —	\$ 92,966
BOA	254,153	—	—	254,153
Ergobaby	40,896	—	—	40,896
Lugano	86,337	—	—	86,337
Marucci	75,719	8,114	—	83,833
PrimaLoft	291,150	(803)	—	290,347
Velocity Outdoor	39,773	—	(32,568)	7,205
Altor	91,129	—	—	91,129
Arnold	39,267	—	—	39,267
Sterno	55,336	—	—	55,336
Total	<u>\$ 1,066,726</u>	<u>\$ 7,311</u>	<u>\$ (32,568)</u>	<u>\$ 1,041,469</u>

### Long lived assets

#### Annual indefinite lived impairment testing

The Company used a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. The Company evaluated the qualitative factors of each indefinite lived intangible asset in connection with the annual impairment testing for 2023 and 2022. Results of the qualitative analysis indicate that it is more likely than not that the fair value of the reporting units that maintain indefinite lived intangible assets exceeded the carrying value.

Other intangible assets are comprised of the following at September 30, 2023 and December 31, 2022 (*in thousands*):

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 785,303	\$ (283,325)	\$ 501,978	\$ 785,303	\$ (239,752)	\$ 545,551
Technology and patents	226,866	(64,947)	161,919	211,648	(52,811)	158,837
Trade names, subject to amortization	487,843	(141,556)	346,287	483,179	(118,684)	364,495
Non-compete agreements	6,424	(4,515)	1,909	4,637	(3,824)	813
Other contractual intangible assets	1,960	(1,523)	437	1,960	(1,185)	775
Total	1,508,396	(495,866)	1,012,530	1,486,727	(416,256)	1,070,471
Trade names, not subject to amortization	56,965	—	56,965	56,965	—	56,965
In-process research and development	500	—	500	500	—	500
Total intangibles, net	<u>\$ 1,565,861</u>	<u>\$ (495,866)</u>	<u>\$ 1,069,995</u>	<u>\$ 1,544,192</u>	<u>\$ (416,256)</u>	<u>\$ 1,127,936</u>

<sup>(4)</sup> In-process research and development is considered indefinite lived until the underlying technology becomes viable, at which point the intangible asset will be amortized over the expected useful life.

Amortization expense related to intangible assets was \$26.7 million and \$79.7 million for the three and nine months ended September 30, 2023, respectively, and \$25.2 million and \$67.2 million for the three and nine months ended September 30, 2022, respectively.

Estimated charges to amortization expense of intangible assets for the remainder of 2023 and the next four years, is as follows (*in thousands*):

	2023	2024	2025	2026	2027
	\$ 26,523	\$ 104,523	\$ 99,241	\$ 92,863	\$ 82,000

#### Note H — Warranties

The Company's Ergobaby, Marucci, BOA and Velocity Outdoor operating segments estimate their exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as necessary. Warranty liability is included in accrued expenses in the accompanying consolidated balance sheets. A reconciliation of the change in the carrying value of the Company's warranty liability for the nine months ended September 30, 2023 and the year ended December 31, 2022 is as follows (*in thousands*):

Warranty liability	Nine months ended September 30, 2023	Year ended December 31, 2022
Beginning balance	\$ 1,754	\$ 2,062
Provision for warranties issued during the period	2,507	3,301
Fulfillment of warranty obligations	(2,624)	(3,609)
Ending balance	\$ 1,637	\$ 1,754

#### Note I — Debt

##### 2022 Credit Facility

On July 12, 2022, the LLC entered into the Third Amended and Restated Credit Agreement (the "2022 Credit Facility") to amend and restate the 2021 Credit Facility. The 2022 Credit Facility provides for revolving loans, swing line loans and letters of credit ("the 2022 Revolving Line of Credit") up to a maximum aggregate amount of \$600 million ("the 2022 Revolving Loan Commitment") and a \$400 million term loan (the "2022 Term Loan"). The 2022 Term Loan requires quarterly payments ranging from \$2.5 million to \$7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date. All amounts outstanding under the 2022 Revolving Line of Credit will become due on July 12, 2027, which is the termination date of the 2022 Revolving Loan Commitment. The 2022 Credit Facility also permits the LLC, prior to the applicable maturity date, to increase the Revolving Loan Commitment and/or obtain additional term loans in an aggregate amount of up to \$250 million, subject to certain restrictions and conditions. On the closing date for the 2022 Credit Facility, the 2022 Term Loan was advanced in full and the initial borrowings outstanding under the 2022 Revolving Line of Credit were \$115 million. We used the initial proceeds from the 2022 Credit Facility to pay all amounts outstanding under the 2021 Credit Facility, pay fees and expenses incurred in connection with the 2022 Credit Facility and fund the acquisition of PrimaLoft.

The LLC may borrow, prepay and reborrow principal under the 2022 Revolving Credit Facility from time to time during its term. Advances under the 2022 Revolving Line of Credit can be either term Secured Overnight Financing Rate ("SOFR") loans or base rate loans. Term SOFR revolving loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the applicable SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator), as adjusted, plus a margin ranging from 1.50% to 2.50%, based on the ratio of consolidated net indebtedness to adjusted consolidated earnings before interest expense, tax expense, and depreciation and amortization expenses for such period (the "Consolidated Total Leverage Ratio"). Base rate revolving loans bear interest on the outstanding principal amount thereof at a rate per annum equal to the highest of (i) Federal Funds rate plus 0.50%, (ii) the "prime rate", and (iii) the applicable SOFR plus 1.0% (the "Base Rate"), plus a margin ranging from 0.50% to 1.50%, based on the Company's Consolidated Total Leverage Ratio.

Advances under the 2022 Term Loan can be either term SOFR loans or base rate loans. The 2022 Term Loan was advanced in full on the closing date for the 2022 Credit Facility as a Term SOFR loan with an interest period of one month. On the last day of an interest period, Term SOFR loans may be converted to Term SOFR loans of a different interest period or to Base Rate loans. Term SOFR term loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the Term SOFR for such interest period plus a margin ranging from 1.50% to 2.50%, based on the Consolidated Total Leverage Ratio. Base rate term loans bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus a margin ranging from 0.50% to 1.50%, based on the Consolidated Total Leverage Ratio.

Under the 2022 Revolving Credit Facility, an aggregate amount of up to \$100 million in letters of credit may be issued, as well as swing line loans of up to \$25 million outstanding at one time. The issuance of such letters of credit and the making of any swing line loan would reduce the amount available under the 2022 Revolving Credit Facility.

Net availability under the 2022 Revolving Credit Facility was approximately \$485.8 million at September 30, 2023. Letters of credit outstanding at September 30, 2023 totaled approximately \$2.2 million. At September 30, 2023, the Company was in compliance with all covenants as defined in the 2022 Credit Facility.

The 2022 Revolving Credit Facility is secured by all of the assets of the Company, including all of its equity interests in, and loans to, its subsidiaries.

#### 2021 Credit Facility

On March 23, 2021, we entered into a Second Amended and Restated Credit Agreement (the "2021 Credit Facility") to amend and restate the 2018 Credit Facility (as previously restated and amended) among the LLC, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent. The 2021 Credit Facility provided for revolving loans, swing line loans and letters of credit (the "2021 Revolving Credit Facility") up to a maximum aggregate amount of \$600 million and also permitted the LLC, prior to the applicable maturity date, to increase the revolving loan commitment and/or obtain term loans in an aggregate amount of up to \$250 million, subject to certain restrictions and conditions. The LLC repaid the outstanding amounts under the 2021 Credit Facility in the third quarter of 2022 in connection with entering into the 2022 Credit Facility.

#### Senior Notes

##### *2032 Senior Notes*

On November 17, 2021, we consummated the issuance and sale of \$300 million aggregate principal amount of our 5.000% Senior Notes due 2032 (the "2032 Notes" or "2032 Senior Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2032 Notes were issued pursuant to an indenture, dated as of November 17, 2021 (the "2032 Notes Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The 2032 Notes bear interest at the rate of 5.000% per annum and will mature on January 15, 2032. Interest on the 2032 Notes is payable in cash on January 15 and July 15 of each year, beginning on July 15, 2022.

The proceeds from the sale of the 2032 Notes was used to repay a portion of our debt outstanding under the 2021 Revolving Credit Facility.

##### *2029 Senior Notes*

On March 23, 2021, we consummated the issuance and sale of \$1,000 million aggregate principal amount of our 5.250% Senior Notes due 2029 (the "2029 Notes" or "2029 Senior Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2029 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the "2029 Notes Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The 2029 Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the 2029 Notes is payable in cash on April 15th and October 15th of each year. The first interest payment date on the 2029 Senior Notes was October 15, 2021. The 2029 Notes are general unsecured obligations of the Company and are not guaranteed by our subsidiaries.

The proceeds from the sale of the 2029 Notes was used to repay debt outstanding under the 2018 Credit Facility in connection with entering into the 2021 Credit Facility, as described above, and to redeem our 8.000% Senior Notes due 2026 (the "2026 Senior Notes").

The following table provides the Company's outstanding long-term debt and effective interest rates at September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023		December 31, 2022	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
2029 Senior Notes	5.25 %	\$ 1,000,000	5.25 %	\$ 1,000,000
2032 Senior Notes	5.00 %	300,000	5.00 %	300,000
2022 Term Loan	7.36 %	387,500	5.20 %	395,000
2022 Revolving Credit Facility	7.45 %	112,000	5.98 %	155,000
Less: Unamortized debt issuance costs		(13,724)		(15,532)
Total debt		\$ 1,785,776		\$ 1,834,468
Less: Current Portion, term loan facilities		(10,000)		(10,000)
Long-term debt		\$ 1,775,776		\$ 1,824,468

Annual maturities of the Company's debt obligations are as follows (in thousands):

2023	\$ 10,000
2024	10,000
2025	15,000
2026	25,000
2027	439,500
2028 and thereafter	1,300,000
	\$ 1,799,500

The Senior Notes consisted of the following carrying value and estimated fair value (in thousands):

	Maturity Date	Rate	Fair Value Hierarchy Level	September 30, 2023	
				Carrying Value	Fair Value
2032 Senior Notes	January 15, 2032	5.000 %	2	\$ 300,000	\$ 243,000
2029 Senior Notes	April 15, 2029	5.250 %	2	\$ 1,000,000	\$ 865,000

#### Debt Issuance Costs

Deferred debt issuance costs represent the costs associated with the issuance of the Company's financing arrangements. In connection with entering into the 2022 Credit Facility, the Company recognized \$2.5 million in deferred financing costs associated with the 2022 Term Loan, and \$2.8 million in deferred financing costs associated with the 2022 Revolving Credit Facility. In connection with the 2032 Senior Notes offering in November 2021, the Company recorded \$4.3 million in deferred financing costs, and the Company recorded \$12.0 million in deferred financing costs related to the 2029 Senior Notes offering in March 2021.

Since the Company can borrow, repay and reborrow principal under the 2022 Revolving Credit Facility, the debt issuance costs associated with the 2022 Revolving Credit Facility have been classified as other non-current assets in the accompanying condensed consolidated balance sheet. The debt issuance costs associated with the 2022 Term Loan and Senior Notes are classified as a reduction of long-term debt in the accompanying condensed consolidated balance sheets.

The following table summarizes debt issuance costs at September 30, 2023 and December 31, 2022, and the balance sheet classification in each of the periods presented (*in thousands*):

	September 30, 2023	December 31, 2022
Deferred debt issuance costs	\$ 32,526	\$ 32,526
Accumulated amortization	(12,774)	(9,760)
Deferred debt issuance costs, net	\$ 19,752	\$ 22,766
Balance sheet classification:		
Other noncurrent assets	\$ 6,028	\$ 7,234
Long-term debt	13,724	15,532
	\$ 19,752	\$ 22,766

## Note J — Stockholders' Equity

### Trust Common Shares

The Trust is authorized to issue 500,000,000 Trust common shares and the LLC is authorized to issue a corresponding number of LLC interests. The Company will at all times have the identical number of LLC interests outstanding as Trust shares. Each Trust share represents an undivided beneficial interest in the Trust, and each Trust share is entitled to one vote per share on any matter with respect to which members of the LLC are entitled to vote.

#### Share repurchase program

In January 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2023, up to \$50 million of its outstanding common shares.

The Company repurchased 75,600 shares for approximately \$1.5 million and 382,400 shares for approximately \$7.4 million during the three and nine months ended September 30, 2023, respectively. As of September 30, 2023, \$42.6 million remained available to purchase under the share repurchase program.

#### At-the-market equity offering program

On September 7, 2021, the Company filed a prospectus supplement pursuant to which the Company may, but has no obligation to, issue and sell up to \$500 million common shares of the Trust in amounts and at times to be determined by the Company. Actual sales will depend on a variety of factors to be determined by us from time to time, including, market conditions, the trading price of Trust common shares and determinations by us regarding appropriate sources of funding.

In connection with this offering, the Company entered into an At Market Issuance Sales Agreement (the "Sales Agreement") with B. Riley Securities, Inc. and Goldman Sachs & Co. LLC (each a "Sales Agent" and, collectively, the "Sales Agents"). The Sales Agreement provides that the Company may offer and sell Trust common shares from time to time through the Sales Agents up to \$500 million, in amounts and at times to be determined by the Company. Pursuant to the Sales Agreement, the shares may be offered and sold through each Sales Agent, acting separately, in ordinary brokers' transactions, to or through a market maker, on or through the New York Stock Exchange or any other market venue where the securities may be traded, in the over-the-counter market, in privately negotiated transactions, in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act or through a combination of any such methods of sale.

During the three and nine months ended September 30, 2023, there were no sales of Trust common shares under the Sales Agreement as the at-the-market program is not active when the share repurchase program is active.

During the three and nine months ended September 30, 2022, the Company sold 934,906 and 3,464,844 Trust common shares under the Sales Agreement, respectively. During the same periods, the Company received total net proceeds of approximately \$21.7 million and \$84.0 million, respectively, from these sales, and incurred approximately \$0.4 million and \$1.5 million in commissions payable to the Sales Agents.

The Company incurred approximately \$0.1 million in total costs related to the ATM program during both the three and nine months ended September 30, 2023 and 2022.

### **Trust Preferred Shares**

The Trust is authorized to issue up to 50,000,000 Trust preferred shares and the Company is authorized to issue a corresponding number of Trust interests.

#### *Series C Preferred Shares*

On November 20, 2019, the Trust issued 4,000,000 7.875% Series C Preferred Shares (the "Series C Preferred Shares") with a liquidation preference of \$25.00 per share, and on December 2, 2019, the Trust issued 600,000 of the Series C Preferred Shares which were sold pursuant to an option to purchase additional shares by the underwriters. Total proceeds from the issuance of the Series C Preferred Shares were \$115.0 million, or \$111.0 million net of underwriters' discount and issuance costs. Distributions on the Series C Preferred Shares will be payable quarterly in arrears, when and as declared by the Company's board of directors on January 30, April 30, July 30, and October 30 of each year, beginning on January 30, 2020, at a rate per annum of 7.875%. Distributions on the Series C Preferred Shares are cumulative and at September 30, 2023, \$1.5 million of Series C distributions are accumulated and unpaid. Unless full cumulative distributions on the Series C Preferred Shares have been or contemporaneously are declared and set apart for payment of the Series C Preferred Shares for all past distribution periods, no distribution may be declared or paid for payment on the Trust common shares. The Series C Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series C Preferred Shares. The Series C Preferred Shares may be redeemed at the Company's option, in whole or in part, at any time after January 30, 2025, at a price of \$25.00 per share, plus any accumulated and unpaid distributions (thereon whether authorized or declared) to, but excluding, the redemption date. Holders of Series C Preferred Shares will have no right to require the redemption of the Series C Preferred Shares and there is no maturity date.

#### *Series B Preferred Shares*

On March 13, 2018, the Trust issued 4,000,000 7.875% Series B Preferred Shares (the "Series B Preferred Shares") with a liquidation preference of \$25.00 per share, for gross proceeds of \$100.0 million, or \$96.5 million net of underwriters' discount and issuance costs. Distributions on the Series B Preferred Shares are payable quarterly in arrears, when and as declared by the Company's board of directors on January 30, April 30, July 30, and October 30 of each year, beginning on July 30, 2018, at a rate per annum of 7.875%. Holders of the Series B Preferred Shares are entitled to receive cumulative cash distributions (i) from and including the date of issuance to, but excluding, April 30, 2028 a rate equal to 7.875% per annum and (ii) from and including April 30, 2028, at a floating rate equal to the applicable successor to three-month LIBOR (as determined by a calculation agent) plus a spread of 4.985% per annum. Subsequent to April 30, 2028, the distribution rate will be reset quarterly. At September 30, 2023, \$1.3 million of Series B distributions are accumulated and unpaid. Unless full cumulative distributions on the Series B Preferred Shares have been or contemporaneously are declared and set apart for payment of the Series B Preferred Shares for all past distribution periods, no distribution may be declared or paid for payment on the Trust common shares. The Series B Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series B Preferred Shares. The Series B Preferred Shares may be redeemed at the Company's option, in whole or in part, at any time after April 30, 2028, at a price of \$25.00 per share, plus any accumulated and unpaid distributions (thereon whether authorized or declared) to, but excluding, the redemption date. Holders of Series B Preferred Shares will have no right to require the redemption of the Series B Preferred Shares and there is no maturity date.

### Series A Preferred Shares

On June 28, 2017, the Trust issued 4,000,000 7.250% Series A Preferred Shares (the "Series A Preferred Shares") with a liquidation preference of \$25.00 per share, for gross proceeds of \$100.0 million, or \$96.4 million net of underwriters' discount and issuance costs. When, and if declared by the Company's board of directors, distribution on the Series A Preferred Shares will be payable quarterly on January 30, April 30, July 30, and October 30 of each year, beginning on October 30, 2017, at a rate per annum of 7.250%. Distributions on the Series A Preferred Shares are discretionary and non-cumulative. The Company has no obligation to pay distributions for a quarterly distribution period if the board of directors does not declare the distribution before the scheduled record of date for the period, whether or not distributions are paid for any subsequent distribution periods with respect to the Series A Preferred Shares, or the Trust common shares. If the Company's board of directors does not declare a distribution for the Series A Preferred Shares for a quarterly distribution period, during the remainder of that quarterly distribution period the Company cannot declare or pay distributions on the Trust common shares. The Series A Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series A Preferred Shares.

### Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders"), through Sostratus LLC, are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses ("Sale Event") or, at the option of the Holders, at each five-year anniversary date of the acquisition of one of the Company's businesses ("Holding Event"). The Company records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders' equity when they are approved by the Company's board of directors.

### Sale Event

The sale of Advanced Circuits in February 2023 represented a Sale Event and the Company's board of director's approved a distribution of \$24.4 million in the second quarter of 2023. In addition, the Company's board of directors approved a distribution of \$2.1 million related to various sale proceeds received related to previous Sale Events. These distributions were paid to the Holders of the Allocation Interests in April 2023.

### Reconciliation of net income (loss) available to common shares of Holdings

The following table reconciles net income (loss) attributable to Holdings to net income (loss) attributable to the common shares of Holdings (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) from continuing operations attributable to Holdings	\$ (11,428)	\$ (6,647)	\$ 5,968	\$ 29,690
Less: Distributions paid - Allocation Interests	—	—	26,475	—
Less: Distributions paid - Preferred Shares	6,045	6,045	18,136	18,136
Less: Accrued distributions - Preferred Shares	2,869	2,869	2,869	2,869
Net income (loss) from continuing operations attributable to common shares of Holdings	\$ (20,342)	\$ (15,561)	\$ (41,512)	\$ 8,685

### Earnings per share

The Company calculates basic and diluted earnings per share using the two-class method which requires the Company to allocate to participating securities that have rights to earnings that otherwise would have been available only to Trust shareholders as a separate class of securities in calculating earnings per share. The Allocation Interests are considered participating securities that contain participating rights to receive profit allocations upon the occurrence of a Holding Event or Sale Event. The calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2023 and 2022 reflects the incremental increase during the period in the profit allocation distribution to Holders related to Holding Events.

Basic and diluted earnings per share for the three and nine months ended September 30, 2023 and 2022 attributable to the common shares of Holdings is calculated as follows (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) from continuing operations attributable to common shares of Holdings	\$ (20,342)	\$ (15,561)	\$ (41,512)	\$ 8,685
Less: Effect of contribution based profit - Holding Event	5,164	4,132	11,609	11,931
Net loss from continuing operations attributable to common shares of Holdings	\$ (25,506)	\$ (19,693)	\$ (53,121)	\$ (3,246)
Income from discontinued operations attributable to Holdings	\$ 1,274	\$ 4,873	\$ 102,881	\$ 18,665
Less: Effect of contribution based profit - Holding Event	—	416	—	1,614
Income from discontinued operations attributable to common shares of Holdings	\$ 1,274	\$ 4,457	\$ 102,881	\$ 17,051
Basic and diluted weighted average common shares outstanding	71,881	71,910	71,996	70,514
<b>Basic and fully diluted income (loss) per common share attributable to Holdings</b>				
Continuing operations	\$ (0.35)	\$ (0.27)	\$ (0.74)	\$ (0.04)
Discontinued operations	0.02	0.06	1.43	0.24
	\$ (0.33)	\$ (0.21)	\$ 0.69	\$ 0.20

### Distributions

The following table summarizes information related to our quarterly cash distributions on our Trust common and preferred shares (in thousands, except per share data):

Period	Cash Distribution per Share	Total Cash Distributions	Record Date	Payment Date
<b>Trust Common Shares:</b>				
July 1, 2023 - September 30, 2023 <sup>(1)</sup>	\$ 0.25	\$ 17,955	October 19, 2023	October 26, 2023
April 1, 2023 - June 30, 2023	\$ 0.25	\$ 17,974	July 20, 2023	July 27, 2023
January 1, 2023 - March 31, 2023	\$ 0.25	\$ 17,987	April 20, 2023	April 27, 2023
October 1, 2022 - December 31, 2022	\$ 0.25	\$ 18,051	January 19, 2023	January 26, 2023
July 1, 2022 - September 30, 2022	\$ 0.25	\$ 18,051	October 20, 2022	October 27, 2022
April 1, 2022 - June 30, 2022	\$ 0.25	\$ 17,931	July 21, 2022	July 28, 2022
January 1, 2022 - March 31, 2022	\$ 0.25	\$ 17,510	April 21, 2022	April 28, 2022
<b>Series A Preferred Shares:</b>				
July 30, 2023 - October 29, 2023 <sup>(1)</sup>	\$ 0.453125	\$ 1,813	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	\$ 0.453125	\$ 1,813	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	\$ 0.453125	\$ 1,813	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	\$ 0.453125	\$ 1,813	January 15, 2023	January 30, 2023
July 30, 2022 - October 29, 2022	\$ 0.453125	\$ 1,813	October 15, 2022	October 30, 2022
April 30, 2022 - July 29, 2022	\$ 0.453125	\$ 1,813	July 15, 2022	July 30, 2022
January 30, 2022 - April 29, 2022	\$ 0.453125	\$ 1,813	April 15, 2022	April 30, 2022
October 30, 2021 - January 29, 2022	\$ 0.453125	\$ 1,813	January 15, 2022	January 30, 2022



<b>Series B Preferred Shares:</b>						
July 30, 2023 - October 29, 2023 <sup>(1)</sup>	\$	0.4921875	\$	1,969	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	\$	0.4921875	\$	1,969	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	\$	0.4921875	\$	1,969	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	\$	0.4921875	\$	1,969	January 15, 2023	January 30, 2023
July 30, 2022 - October 29, 2022	\$	0.4921875	\$	1,969	October 15, 2022	October 30, 2022
April 30, 2022 - July 29, 2022	\$	0.4921875	\$	1,969	July 15, 2022	July 30, 2022
January 30, 2022 - April 29, 2022	\$	0.4921875	\$	1,969	April 15, 2022	April 30, 2022
October 30, 2021 - January 29, 2022	\$	0.4921875	\$	1,969	January 15, 2022	January 30, 2022

<b>Series C Preferred Shares:</b>						
July 30, 2023 - October 29, 2023 <sup>(1)</sup>	\$	0.4921875	\$	2,264	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	\$	0.4921875	\$	2,264	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	\$	0.4921875	\$	2,264	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	\$	0.4921875	\$	2,264	January 15, 2023	January 30, 2023
July 30, 2022 - October 29, 2022	\$	0.4921875	\$	2,264	October 15, 2022	October 30, 2022
April 30, 2022 - July 29, 2022	\$	0.4921875	\$	2,264	July 15, 2022	July 30, 2022
January 30, 2022 - April 29, 2022	\$	0.4921875	\$	2,264	April 15, 2022	April 30, 2022
October 30, 2021 - January 29, 2022	\$	0.4921875	\$	2,264	January 15, 2022	January 30, 2022

<sup>(1)</sup> This distribution was declared on October 3, 2023.

### Note K — Noncontrolling Interest

Noncontrolling interest represents the portion of the Company's majority owned subsidiary's net income (loss) and equity that is owned by noncontrolling shareholders. The following tables reflect the LLC's ownership percentage of its majority owned operating segments and related noncontrolling interest balances as of September 30, 2023 and December 31, 2022:

	% Ownership <sup>(1)</sup> September 30, 2023		% Ownership <sup>(1)</sup> December 31, 2022	
	Primary	Fully Diluted	Primary	Fully Diluted
5.11	97.5	88.3	97.7	88.3
BOA	91.8	83.1	91.8	83.5
Ergobaby	81.6	72.8	81.6	72.8
Lugano	59.9	54.9	59.9	55.2
Marucci	90.0	80.9	91.0	82.1
PrimaLoft	90.7	83.1	90.7	83.7
Velocity Outdoor	99.4	87.7	99.4	87.7
Altor	99.3	90.1	99.8	88.2
Arnold	98.0	85.5	98.0	85.5
Sterno	99.4	88.3	99.4	90.7

<sup>(1)</sup> The principal difference between primary and diluted percentages of our operating segments is due to stock option issuances of operating segment stock to management of the respective businesses.

<i>(in thousands)</i>	Noncontrolling Interest Balances	
	September 30, 2023	December 31, 2022
5.11	\$ 18,029	\$ 17,186
BOA	39,534	36,215
Ergobaby	16,751	16,020
Lugano	96,903	82,967
Marucci	26,989	20,045
PrimaLoft	35,969	36,263
Velocity Outdoor	6,562	6,115
Altor	5,901	5,077
Arnold	1,636	1,475
Sterno	1,795	2,046
Allocation Interests	100	100
	<u>\$ 250,169</u>	<u>\$ 223,509</u>

## Note L — Fair Value Measurement

The following table provides the assets and liabilities carried at fair value measured on a recurring basis during the year ended December 31, 2022. There were no assets or liabilities measured on a recurring basis during the nine months ended September 30, 2023.

<i>(in thousands)</i>	Fair Value Measurements at December 31, 2022			
	Carrying Value	Level 1	Level 2	Level 3
<i>Liabilities:</i>				
Put option of noncontrolling shareholders <sup>(1)</sup>	\$ (142)	\$ —	\$ —	\$ (142)
Contingent consideration - acquisition <sup>(2)</sup>	(1,300)	—	—	(1,300)
Total recorded at fair value	<u>\$ (1,442)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,442)</u>

<sup>(1)</sup> Represented a put option issued to a noncontrolling shareholder in connection with the 5.11 acquisition. The put option was terminated during the period ended March 31, 2023.

<sup>(2)</sup> Represented a potential earn-out payable as additional purchase price consideration by Velocity in connection with the acquisition of King's Camo. The payment of the earn-out occurred during the second quarter of 2023.

Reconciliations of the change in the carrying value of the Level 3 fair value measurements from January 1, 2022 through September 30, 2023 are as follows *(in thousands)*:

	Level 3
Balance at January 1, 2022	\$ (1,501)
Contingent consideration - King's Camo	(1,600)
Adjustment to contingent consideration - King's Camo	300
Payment of contingent consideration - Polyfoam	1,350
Increase in the fair value of put option of noncontrolling shareholder - 5.11	9
Balance at December 31, 2022	<u>\$ (1,442)</u>
Termination of put option of noncontrolling shareholder - 5.11	142
Adjustment to contingent consideration - King's Camo	25
Payment of contingent consideration - King's Camo	1,275
Balance at September 30, 2023	<u>\$ —</u>

### Valuation Techniques

The Company has not changed its valuation techniques in measuring the fair value of any of its other financial assets and liabilities during the period. For details of the Company's fair value measurement policies under the fair value hierarchy, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

### Nonrecurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value measured on a non-recurring basis as of September 30, 2023 and December 31, 2022. Refer to "[Note G - Goodwill and Intangible Assets](#)", for a description of the valuation techniques used to determine fair value of the assets measured on a non-recurring basis in the table below.

<i>(in thousands)</i>	Fair Value Measurements at September 30, 2023				Expense
	Carrying Value	Level 1	Level 2	Level 3	Nine months ended September 30, 2023
Goodwill - Velocity	\$ 7,205	—	—	\$ 7,205	\$ 32,568

  

<i>(in thousands)</i>	Fair Value Measurements at December 31, 2022				Expense
	Carrying Value	Level 1	Level 2	Level 3	Year ended December 31, 2022
Goodwill - Ergo	\$ 40,896	—	—	\$ 40,896	\$ 20,552

### **Note M — Income taxes**

The Company estimates its annual effective tax rate each fiscal quarter and applies that estimated rate to its interim pre-tax earnings. In this regard, the Company reflects the full year's estimated tax impact of certain unusual or infrequently occurring items and the effects of changes in tax laws or rates in the interim period in which they occur. The Company's parent, the Trust, is subject to entity-level U.S. federal, state and local corporate income taxes on the Company's earnings that flow through to the Trust.

The computation of the annual estimated effective tax rate for each interim period requires certain assumptions, estimates, and significant judgment, including with respect to the projected operating income for the year, projections of income earned and taxes incurred in various jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets. The accounting estimates used to compute the provision for income taxes may change as new events occur, as additional information is obtained, as our tax structure changes or as the tax laws change. Certain foreign operations are subject to foreign income taxation under existing provisions of the laws of those jurisdictions.

The reconciliation between the Federal Statutory Rate and the effective income tax rate for the nine months ended September 30, 2023 and 2022 is as follows:

	Nine months ended September 30,	
	2023	2022
United States Federal Statutory Rate	21.0 %	21.0 %
State income taxes (net of Federal benefits)	7.4	3.7
Foreign income taxes	5.2	2.0
Impact of subsidiary employee stock options	0.3	0.8
Utilization of tax credits	(11.0)	(8.3)
Non-recognition of various carryforwards at subsidiaries	19.8	13.4
United States tax on foreign income	(1.4)	1.3
Impairment expense	7.5	—
Effect of classification of assets held for sale	—	11.0
Other	0.4	1.7
Effective income tax rate	49.2 %	46.6 %

#### Note N — Defined Benefit Plan

In connection with the acquisition of Arnold, the company has a defined benefit plan covering substantially all of Arnold's employees at its Lupfig, Switzerland location. The benefits are based on years of service and the employees' highest average compensation during the specific period.

The unfunded liability of \$2.0 million is recognized in the consolidated balance sheet as a component of other non-current liabilities at September 30, 2023. Net periodic benefit cost consists of the following for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Service cost	\$ 90	\$ 105	\$ 271	\$ 321
Interest cost	60	10	182	31
Expected return on plan assets	(54)	(18)	(163)	(54)
Amortization of unrecognized loss	(9)	(7)	(27)	(20)
Effect of curtailment	—	—	(13)	(31)
Net periodic benefit cost	\$ 87	\$ 90	\$ 250	\$ 247

During the nine months ended September 30, 2023, per the terms of the pension agreement, Arnold contributed \$0.3 million to the plan. For the remainder of 2023, the expected contribution to the plan will be approximately \$0.1 million.

The plan assets are pooled with assets of other participating employers and are not separable; therefore, the fair values of the pension plan assets at September 30, 2023 were considered Level 3.

#### Note O - Commitments and Contingencies

In the normal course of business, the Company and its subsidiaries are involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, the Company does not believe that any unfavorable outcomes will have a material adverse effect on the Company's consolidated financial position or results of operations.

## Leases

The Company and its subsidiaries lease office and manufacturing facilities, computer equipment and software under various arrangements. Certain of the leases are subject to escalation clauses and renewal periods. The Company and its subsidiaries recognize lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably assured renewal periods from the time that the Company and its subsidiaries control the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Certain of our subsidiaries have leases that contain both fixed rent costs and variable rent costs based on achievement of certain operating metrics. The variable lease expense was not a material component of our total lease expense for the three and nine months ended September 30, 2023 and 2022. The Company recognized \$13.8 million and \$39.7 million in the three and nine months ended September 30, 2023 and \$11.9 million and \$32.9 million in the three and nine months ended September 30, 2022, respectively, in expense related to operating leases in the condensed consolidated statements of operations.

The maturities of lease liabilities at September 30, 2023 are as follows (*in thousands*):

2023 (excluding nine months ended September 30, 2023)	\$	11,481
2024		43,712
2025		40,202
2026		36,626
2027		32,284
Thereafter		75,582
Total undiscounted lease payments	\$	239,887
Less: Interest		52,883
Present value of lease liabilities	\$	187,004

The calculated amount of the right-of-use assets and lease liabilities are impacted by the length of the lease term and discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the company's discretion. In general, it is not reasonably certain that lease renewals will be exercised at lease commencement and therefore lease renewals are not included in the lease term. As the discount rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any country specific risk.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows:

<u>Lease Term and Discount Rate</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Weighted-average remaining lease term (years)	6.12	6.24
Weighted-average discount rate	8.02 %	7.57 %

Supplemental balance sheet information related to leases was as follows (*in thousands*):

	<u>Line Item in the Company's Consolidated Balance Sheet</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Operating lease right-of-use assets	Other non-current assets	\$ 162,439	\$ 147,518
Current portion, operating lease liabilities	Other current liabilities	\$ 31,878	\$ 28,497
Operating lease liabilities	Other non-current liabilities	\$ 155,126	\$ 139,529

Supplemental cash flow information related to leases was as follows (*in thousands*):

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$	30,414	\$	28,178
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$	36,639	\$	41,127

## Note P — Related Party Transactions

### Management Services Agreement

The LLC entered into the Management Services Agreement ("MSA") with CGM effective May 16, 2006, as amended. Our Chief Executive Officer is a partner of CGM. The MSA provides for, among other things, CGM to perform services for the LLC in exchange for a management fee paid quarterly and equal to 0.5% of the LLC's adjusted net assets, as defined in the MSA.

During 2022, CGM entered into a waiver of the MSA for the period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee at March 31, and June 30, 2023 than would normally have been due. At March 31, 2022, CGM entered into a waiver to exclude cash balances held at the LLC from the calculation of the management fee.

### Integration Services Agreements

PrimaLoft, which was acquired in July 2022, entered into an Integration Services Agreement ("ISA") with CGM whereby PrimaLoft paid CGM an integration services fee of \$4.8 million quarterly over the twelve-month period ended June 30, 2023.

Lugano, which was acquired in September 2021, entered into an ISA with CGM whereby Lugano paid CGM an integration services fee of \$2.3 million quarterly over a twelve month period as services were rendered, beginning in the quarter ended December 31, 2021.

Integration service fees are included in selling, general and administrative expense on the subsidiaries' statement of operations in the period in which they are incurred. Under the ISAs, CGM provides services for new platform acquisitions to, amongst other things, assist the management at the acquired entities in establishing a corporate governance program, implement compliance and reporting requirements of the Sarbanes-Oxley Act of 2002, as amended, and align the acquired entity's policies and procedures with our other subsidiaries.

### ***The Company and its businesses have the following significant related party transactions***

#### 5.11

***Related Party Vendor Purchases*** - 5.11 purchases inventory from a vendor who is a related party to 5.11 through one of the executive officers of 5.11 via the executive's 40% ownership interest in the vendor. 5.11 purchased approximately \$0.6 million and \$1.6 million during the three and nine months ended September 30, 2023, respectively and \$0.3 million and \$1.1 million during the three and nine months ended September 30, 2022, respectively in inventory from the vendor.

#### BOA

***Related Party Vendor Purchases*** - A contract manufacturer used by BOA as the primary supplier of molded injection parts is a noncontrolling shareholder of BOA. BOA purchased approximately \$10.0 million and \$30.4 million from this supplier during the three and nine months ended September 30, 2023, respectively and \$12.7 million and \$43.8 million during the three and nine months ended and September 30, 2022, respectively.

#### Ergobaby

***Recapitalization*** - In February 2022, the Company completed a recapitalization of Ergobaby whereby the LLC entered into an amendment to the intercompany loan agreement with Ergobaby (the "Ergo Loan Agreement"). The Ergo Loan Agreement was amended to provide for additional loan borrowings of \$61.5 million to fund a distribution to shareholders. The LLC owned 81.6% of the outstanding shares of Ergobaby on the date of the distribution and received \$50.2 million. The remaining amount of the distribution was paid to minority shareholders.

## Note Q — Subsequent Event

### Pending Sale of Marucci

On November 1, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Wheelhouse Holdings Inc. (as used in this Note Q, "Wheelhouse"), a majority owned subsidiary of the Company, entered into a definitive Agreement and Plan of Merger with Fox Factory, Inc. ("Marucci Purchaser"), Marucci Merger Sub, Inc. ("Marucci Merger Sub") and Wheelhouse, pursuant to which Marucci Purchaser agreed to acquire all of the issued and outstanding securities of Wheelhouse, the parent company of the operating entity, Marucci Sports, LLC, through a merger of Marucci Merger Sub with and into Wheelhouse, with Wheelhouse surviving the merger and becoming a wholly owned subsidiary of Marucci Purchaser. The sale price of Wheelhouse will be based on an enterprise value of \$572 million, subject to certain adjustments based on matters such as transaction tax benefits, transaction expenses of Wheelhouse, the net working capital and cash and debt balances of Wheelhouse at the time of the closing. The closing of the transaction is expected to occur in the fourth quarter of 2023; however, there can be no assurances that all of the conditions to closing will be satisfied.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This Item 2 contains forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond our control. Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ, including those discussed in the section entitled "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q as well as those risk factors discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 and in the section entitled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.*

### Overview

Compass Diversified Holdings ("Holdings", or the "Trust") was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings LLC (the "LLC") was also formed on November 18, 2005. Holdings and the LLC (collectively, the "Company") were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The LLC is a controlling owner of ten businesses, or operating segments, at September 30, 2023. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Lugano Holdings, Inc. ("Lugano Diamonds" or "Lugano"), Marucci Sports, LLC ("Marucci" or "Marucci Sports"), PrimaLoft Technologies Holdings, Inc. ("PrimaLoft"), Velocity Outdoor, Inc. ("Velocity Outdoor" or "Velocity"), FFI Compass, Inc. ("Altor Solutions" or "Altor" (formerly "Foam Fabricators")), AMT Acquisition Corporation ("Arnold"), and The Sterno Group, LLC ("Sterno").

We acquired our existing businesses (segments) that we own at September 30, 2023 as follows:

Business	Acquisition Date	Ownership Interest - September 30, 2023	
		Primary	Diluted
Ergobaby	September 16, 2010	81.6%	72.8%
Arnold	March 5, 2012	98.0%	85.5%
Sterno	October 10, 2014	99.4%	88.3%
5.11	August 31, 2016	97.5%	88.3%
Velocity Outdoor	June 2, 2017	99.4%	87.7%
Altor Solutions	February 15, 2018	99.3%	90.1%
Marucci Sports	April 20, 2020	90.0%	80.9%
BOA	October 16, 2020	91.8%	83.1%
Lugano	September 3, 2021	59.9%	54.9%
PrimaLoft	July 12, 2022	90.7%	83.1%

We categorize our subsidiary businesses into two separate groups of businesses: (i) branded consumer businesses, and (ii) niche industrial businesses. Branded consumer businesses are characterized as those businesses that we believe capitalize on a valuable brand name in their respective market sector. We believe that our branded consumer businesses are leaders in their particular product category. Niche industrial businesses are characterized as those businesses that focus on manufacturing and selling particular products and industrial services within a specific market sector. We believe that our niche industrial businesses are leaders in their specific market sector. We recently announced the launch of our healthcare effort as our third grouping of companies. We believe healthcare has multiple attractive, high-growth segments with strong industry tailwinds, is an acyclical vertical that we expect will bring diversification and stability to the current group of companies, and has strong alignment with the Company's existing subsidiary priorities.



The following is an overview of each of our subsidiary businesses:

### **Branded Consumer**

**5.11** - 5.11 is a leading provider of purpose-built technical apparel and gear for law enforcement, firefighters, EMS, and military special operations as well as outdoor and adventure enthusiasts. 5.11 is a brand known for innovation and authenticity, and works directly with end users to create purpose-built apparel, footwear and gear designed to enhance the safety, accuracy, speed and performance of tactical professionals and enthusiasts worldwide. Headquartered in Costa Mesa, California, 5.11 operates sales offices and distribution centers globally, and 5.11 products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com.

**BOA** - BOA creator of the revolutionary, award-winning, patented BOA Fit System, partners with market-leading brands to make the best gear even better. Delivering fit solutions purpose-built for performance, the BOA Fit System is featured in footwear across snow sports, cycling, outdoor, athletic, workwear as well as performance headwear and medical bracing. The system consists of three integral parts: a micro-adjustable dial, high-tensile lightweight laces, and low friction lace guides creating a superior alternative to laces, buckles, Velcro, and other traditional closure mechanisms. Each unique BOA configuration is designed with brand partners to deliver superior fit and performance for athletes, is engineered to perform in the toughest conditions and is backed by The BOA Lifetime Guarantee. BOA is headquartered in Denver, Colorado and has offices in Austria, Greater China, South Korea, and Japan.

**Ergobaby** - Headquartered in Torrance, California, Ergobaby is dedicated to building a global community of confident parents with smart, ergonomic solutions that enable and encourage bonding between parents and babies. Ergobaby offers a broad range of award-winning baby carriers, strollers, bouncers, swaddlers, nursing pillows, and related products that fit into families' daily lives seamlessly, comfortably and safely.

**Lugano** - Lugano is a leading designer, manufacturer and marketer of high-end, one-of-a-kind jewelry sought after by some of the world's most discerning clientele. Lugano conducts sales via its own retail salons as well as pop-up showrooms at Lugano-hosted or sponsored events in partnership with influential organizations in the equestrian, art and philanthropic community. Lugano is headquartered in Newport Beach, California.

**Marucci Sports** - Marucci is a leading designer, manufacturer, and marketer of premium wood and metal baseball bats, composite bats, fielding gloves, batting gloves, bags, protective gear, sunglasses, on and off-field apparel, and other baseball and softball equipment used by professional and amateur athletes. Marucci also develops corporate-owned and franchised sports training facilities. Marucci is headquartered in Baton Rouge, Louisiana.

**PrimaLoft** - PrimaLoft is a leading provider of branded, high-performance synthetic insulation and materials used primarily in consumer outerwear, and accessories. The portfolio of PrimaLoft synthetic insulations offers products that can both mimic natural down aesthetics and provide the freedom to design garments ranging from stylish puffers to lightweight performance apparel. PrimaLoft insulations also offer superior economics to the brand partner and enable better sustainability characteristics through the use of recycled, low-carbon inputs. PrimaLoft is headquartered in Latham, New York.

**Velocity Outdoor** - A leading designer, manufacturer, and marketer of airguns, archery products, laser aiming devices, hunting apparel and related accessories, Velocity offers its products under the highly recognizable Crosman, Benjamin, LaserMax, Ravin, CenterPoint and King's Camo brands that are available through national retail chains, mass merchants, dealer and distributor networks. The airgun product category consists of air rifles, air pistols and a range of accessories including targets, holsters and cases. Velocity Outdoor's other primary product categories are archery, with products including CenterPoint and Ravin crossbows, consumables, which includes steel and plastic BBs, lead pellets and CO2 cartridges, lasers for firearms, and airsoft products. The apparel category offers high-performance, feature rich hunting and casual apparel of uncompromised quality utilizing King's own proprietary camo patterns. Velocity Outdoor is headquartered in Bloomfield, New York.

### **Niche Industrial**

**Altor Solutions** - Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer (OEM) components made from expanded polystyrene (EPS) and expanded polypropylene (EPP). Altor operates 18 molding and fabricating facilities across North America and provides products to a variety of end-markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building products and others. Altor Solutions is headquartered in Scottsdale, Arizona.

**Arnold** - Arnold serves a variety of markets including aerospace and defense, general industrial, motorsport/ automotive, oil and gas, medical, energy, reprographics and advertising specialties. Over the course of more than 100 years, Arnold has successfully evolved and adapted its products, technologies, and manufacturing presence to meet the demands of current and emerging markets. Arnold produces high performance permanent magnets (PMAG), turnkey electric motors ("Ramco"), precision foil products (Precision Thin Metals or "PTM"), and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Arnold has expanded globally and built strong relationships with its customers worldwide. Arnold is the largest and, we believe, the most technically advanced U.S. manufacturer of engineered magnetic systems. Arnold is headquartered in Rochester, New York.

**Sterno** - Sterno, headquartered in Plano, Texas, is the parent company of Sterno Products, LLC ("Sterno Products") and Rimports, LLC ("Rimports"). Sterno is a leading manufacturer and marketer of portable food warming fuels for the hospitality and consumer markets, flameless candles and house and garden lighting for the home decor market, and wickless candle products used for home decor and fragrance systems.

While our subsidiary businesses have different growth opportunities and potential rates of growth, we actively manage each of our subsidiary businesses to increase the value of, and cash generated by, each business through various initiatives, including making selective capital investments to expand geographic reach, increase capacity or reduce manufacturing costs of our subsidiary businesses; improving and expanding existing sales and marketing programs; and assisting in the acquisition and integration of complementary businesses.

## **Significant Trends Impacting Our Subsidiary Businesses**

### *Macroeconomic Trends*

The macroeconomic environment continues to remain dynamic as global macroeconomic trends, including inflationary pressures and rising interest rates, are weakening consumer sentiment and negatively impacting consumer spending behavior. We expect changing market conditions and continued inflationary pressures to impact consumer spending, particularly for discretionary items purchased by low and middle income consumers. We continue to experience modest inflationary cost increases in our materials, labor and transportation costs, although transportation costs have normalized after reaching a peak in the first half of 2022. We took numerous actions during 2022 to build capacity as well as increase our supply chain related resources, including increasing inventory levels and investing in automated systems to increase production efficiency. Our lead-times for inventory have stabilized, which we expect will allow for more accurate forecasting in the remainder of 2023 and 2024. We are experiencing continued uncertainty in our business and the global economy due to inflation, changes in consumer spending patterns, and continuing global supply chain disruptions that are affecting certain segments of our business. Accordingly, our liquidity and financial results could be impacted in ways that we are not able to predict today.

### *Business Outlook*

The Company anticipates that the areas of focus for the remainder of 2023, which are generally applicable to each of our businesses, include:

- Pursuing sales growth through a combination of new product development, increasing distribution, new customer acquisitions and international expansion;
- Driving free cash flow through increased net income and effective working capital management, enabling continued investment in our businesses;
- Raising prices, when appropriate, on our goods due to rising input costs to preserve operating margins;
- Taking market share, where possible, in each of our niche market leading companies, generally at the expense of less well capitalized competitors;
- Striving for excellence in supply chain management, manufacturing and technological capabilities;
- Continuing to pursue expense reduction and cost savings in lower margin business lines or in response to lower production volume; and
- Continuing to grow through disciplined, strategic acquisitions and rigorous integration processes.

## Recent Events

### *Sale of Advanced Circuits*

On January 10, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Compass AC Holdings, Inc. ("Advanced Circuits"), a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with APCT Inc. ("ACI Purchaser"), Circuit Merger Sub, Inc. ("ACI Merger Sub") and Advanced Circuits, pursuant to which ACI Purchaser agreed to acquire all of the issued and outstanding securities of Advanced Circuits, the parent company of the operating entity, Advanced Circuits, Inc., through a merger of ACI Merger Sub with and into Advanced Circuits, with Advanced Circuits surviving the merger and becoming a wholly owned subsidiary of ACI Purchaser (the "ACI Merger"). The ACI Merger was completed on February 14, 2023. The sale price of Advanced Circuits was based on an enterprise value of \$220 million, subject to certain adjustments based on matters such as the working capital and cash and debt balances of Advanced Circuits at the time of the closing. After the allocation of the sales price to Advanced Circuits non-controlling equity holders and the payment of transaction expenses, the Company received approximately \$170.9 million of total proceeds at closing of which \$66.9 million related to the repayment of intercompany loans with the Company. We recorded a gain on sale of \$98.0 million, net of an income tax provision of \$6.8 million related to the sale of Advanced Circuits in the first quarter of 2023. We recorded additional gain on sale of \$2.1 million in the second quarter of 2023 related to the working capital settlement, and in the third quarter of 2023 adjusted the income tax provision for the gain on sale by \$1.3 million.

### *Pending Sale of Marucci*

On November 1, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Wheelhouse Holdings Inc. ("Wheelhouse"), a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with Fox Factory, Inc. ("Marucci Purchaser"), Marucci Merger Sub, Inc. ("Marucci Merger Sub") and Wheelhouse, pursuant to which Marucci Purchaser agreed to acquire all of the issued and outstanding securities of Wheelhouse, the parent company of the operating entity, Marucci Sports, LLC, through a merger of Marucci Merger Sub with and into Wheelhouse, with Wheelhouse surviving the merger and becoming a wholly owned subsidiary of Marucci Purchaser. The sale price of Wheelhouse will be based on an enterprise value of \$572 million, subject to certain adjustments based on matters such as transaction tax benefits, transaction expenses of Wheelhouse, the net working capital and cash and debt balances of Wheelhouse at the time of the closing. The closing of the transaction is expected to occur in the fourth quarter of 2023; however, there can be no assurances that all of the conditions to closing will be satisfied.

## Non-GAAP Financial Measures

"U.S. GAAP" or "GAAP" refer to generally accepted accounting principles in the United States. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented.

See "Reconciliation of Non-GAAP Financial Measures" for further discussion of our non-GAAP financial measures and related reconciliations.

## Results of Operations

The following discussion reflects a comparison of the historical results of operations of our consolidated business for the three and nine months ended September 30, 2023 and September 30, 2022, and components of the results of operations as well as those components presented as a percent of net revenues, for each of our subsidiary businesses on a stand-alone basis.

In the following results of operations, we provide (i) our actual Consolidated Results of Operations for the three and nine months ended September 30, 2023 and 2022, which includes the historical results of operations of each of our businesses (operating segments) from the date of acquisition in accordance with generally accepted accounting principles in the United States ("GAAP" or "US GAAP"), and (ii) comparative historical components of the results of operations for each of our businesses on a stand-alone basis for the three and nine months ended September 30, 2023 and 2022, where all periods presented include relevant pro forma adjustments for pre-acquisition periods and explanations where applicable. For the acquisition of PrimaLoft in July 2022, the pro forma results of operations for the PrimaLoft business segment has been prepared as if we purchased this business on January 1, 2022. We believe this is the most meaningful comparison for the operating results of acquired business segments. The

following results of operations at each of our businesses are not necessarily indicative of the results to be expected for a full year.

All dollar amounts in the financial tables are presented in thousands. References in the financial tables to percentage changes that are not meaningful are denoted by "NM."

### Results of Operations - Consolidated

The following table sets forth our unaudited results of operations for the three and nine months ended September 30, 2023 and 2022:

<i>(in thousands)</i>	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net revenues	\$ 569,565	\$ 575,819	\$ 1,635,952	\$ 1,601,929
Cost of revenues	315,347	346,260	907,013	959,798
Gross profit	254,218	229,559	728,939	642,131
Selling, general and administrative expense	147,962	144,040	442,345	390,336
Fees to manager	18,596	16,592	51,911	45,929
Amortization of intangibles	26,657	25,152	79,708	67,178
Impairment expense	32,568	—	32,568	—
Operating income	28,435	43,775	122,407	138,688
Interest expense	(27,560)	(22,799)	(80,355)	(57,737)
Amortization of debt issuance costs	(1,005)	(1,004)	(3,034)	(2,735)
Loss on debt extinguishment	—	(534)	—	(534)
Other income (expense)	1,043	(1,917)	2,069	856
Income from continuing operations before income taxes	913	17,521	41,087	78,538
Provision for income taxes	5,947	20,493	20,227	36,601
Net income (loss) from continuing operations	\$ (5,034)	\$ (2,972)	\$ 20,860	\$ 41,937

### Three months ended September 30, 2023 compared to three months ended September 30, 2022

#### Net revenues

Consolidated net revenues for the three months ended September 30, 2023 decreased by approximately \$6.3 million, or 1.1%, compared to the corresponding period in 2022. During the three months ended September 30, 2023 compared to 2022, we saw increases in net sales at 5.11 (\$8.7 million increase), Lugano (\$27.6 million increase), Marucci (\$5.7 million increase), and Arnold (\$2.4 million increase), offset by a decrease in net revenue at BOA (\$12.7 million decrease), Velocity Outdoor (\$21.0 million decrease), Altor Solutions (\$10.4 million decrease) and Sterno (\$8.5 million decrease). Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by subsidiary business segment.

We do not generate any revenues apart from those generated by our subsidiaries. We may generate interest income on the investment of available funds, but expect such earnings to be minimal. We make loans from the Company to our subsidiary businesses and also hold equity interests in those businesses. Cash flows coming to the Trust and the LLC are the result of interest payments on those loans, amortization of those loans and additional principal payments on those loans. However, on a consolidated basis, these items will be eliminated.

#### Cost of revenues

On a consolidated basis, cost of revenues decreased approximately \$30.9 million during the three months ended September 30, 2023 compared to the corresponding period in 2022. We saw notable decreases in cost of revenues at BOA (\$4.8 million decrease), Velocity (\$14.5 million decrease), Altor (\$13.6 million decrease), and Sterno (\$13.7 million decrease) that corresponded to the decrease in revenue noted above. These decreases were offset by increases in cost of revenue at several of our businesses. We saw increases in cost of revenues at 5.11 (\$5.5 million increase), Lugano (\$6.3 million increase), Marucci (\$1.7 million increase) and Arnold (\$3.3 million increase)

that correspond to the revenue increases noted above. Gross profit as a percentage of net revenues was approximately 44.6% in the three months ended September 30, 2023 compared to 39.9% in the three months ended September 30, 2022. The increase in gross profit as a percentage of net sales in the quarter ended September 30, 2023 as compared to the quarter ended September 30, 2022 is attributable to the implementation of price increases at most of our subsidiary businesses in response to rising costs, a reduction in transportation costs as compared to the third quarter of 2022, and the mix of products with increases in net revenue at our higher margin businesses, particularly Lugano. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by subsidiary business segment.

#### Selling, general and administrative expense

Consolidated selling, general and administrative expense increased approximately \$3.9 million during the three months ended September 30, 2023, compared to the corresponding period in 2022. We saw increases in selling, general and administrative expenses at several of our consumer brands due to increased investment in marketing and headcount, particularly 5.11 (\$1.9 million of the increase) and Lugano (\$5.9 million of the increase). Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by subsidiary business segment. At the corporate level, general and administrative expense was \$3.7 million in the third quarter of 2023 and \$3.9 million in the third quarter of 2022, a decrease of \$0.2 million.

#### Fees to manager

Pursuant to the Management Services Agreement ("MSA"), we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the three months ended September 30, 2023, we incurred approximately \$18.6 million in management fees as compared to \$16.6 million in fees in the three months ended September 30, 2022. The increase in management fees is primarily attributable to our acquisition of PrimaLoft in July 2022. CGM entered into a waiver of the MSA for a period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the third quarter of 2022 than would have normally been due. PrimaLoft was acquired in July 2022.

#### Amortization expense

Amortization expense for the three months ended September 30, 2023 increased \$1.5 million as compared to the three months ended September 30, 2022 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for PrimaLoft, which was acquired in July 2022.

#### Impairment expense

Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below the forecast that we used in the quantitative annual impairment test of Velocity Outdoor at March 31, 2023. The impairment test resulted in Velocity recording impairment expense of \$32.6 million in the quarter ended September 30, 2023.

#### Interest expense

We recorded interest expense totaling \$27.6 million for the three months ended September 30, 2023 compared to \$22.8 million for the comparable period in 2022, an increase of \$4.8 million. The increase in interest expense in the current quarter reflects the interest expense associated with our 2022 Term Loan that we entered into in July 2022 in connection with our acquisition of PrimaLoft, and the higher interest rate environment in the current quarter versus the comparable quarter in the prior year.

#### Other income (expense)

For the quarter ended September 30, 2023, we recorded \$1.0 million in other income as compared to \$1.9 million in other expense in the quarter ended September 30, 2022, a decrease in other expense of \$3.0 million. Other income (expense) typically reflects the movement in foreign currency at our subsidiary businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred or income earned that are not considered a part of our operations.

#### Income taxes

We had an income tax provision of \$5.9 million during the three months ended September 30, 2023 compared to an income tax provision of \$20.5 million during the same period in 2022, a decrease of \$14.5 million. Our income

before income taxes for the quarter ended September 30, 2023 decreased by approximately \$16.6 million as compared to the prior year quarter. The income tax provision in the quarter ended September 30, 2023 was impacted by the tax effect of the impairment expense at Velocity, while the income tax expense in the third quarter of 2022 included tax expense of \$12.2 million (reversal of a tax benefit recorded in the fourth quarter of 2021) at the Trust associated with the reclassification of Advanced Circuits from held-for sale to continuing operations in September 2022.

### ***Nine months ended September 30, 2023 compared to nine months ended September 30, 2022***

#### ***Net revenues***

Consolidated net revenues for the nine months ended September 30, 2023 increased by approximately \$34.0 million, or 2.1%, compared to the corresponding period in 2022. Our PrimaLoft business, which we acquired in July 2022, contributed approximately \$48 million to the increase. During the nine months ended September 30, 2023 compared to 2022, we also saw significant increases in net sales at 5.11 (\$35.1 million increase), Marucci (\$21.6 million increase), Lugano (\$66.3 million increase), Ergobaby (\$3.5 million increase) and Arnold (\$5.7 million increase), partially offset by a decrease in net revenue at BOA (\$52.8 million decrease), Velocity Outdoor (\$54.4 million decrease), Altor Solutions (\$18.0 million decrease) and Sterno (\$19.9 million decrease). Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by subsidiary business segment.

We do not generate any revenues apart from those generated by our subsidiaries. We may generate interest income on the investment of available funds, but expect such earnings to be minimal. We make loans from the Company to our subsidiary businesses and also hold equity interests in those businesses. Cash flows coming to the Trust and the Company are the result of interest payments on those loans, amortization of those loans and additional principal payments on those loans. However, on a consolidated basis, these items will be eliminated.

#### ***Cost of revenues***

On a consolidated basis, cost of revenues decreased approximately \$52.8 million during the nine months ended September 30, 2023 compared to the corresponding period in 2022. We saw notable decreases in cost of revenues at BOA (\$18.4 million decrease), Velocity (\$37.6 million decrease), Altor (\$29.5 million decrease), and Sterno (\$26.6 million decrease) that corresponded to the decrease in revenue noted above. These decreases were offset by increases in cost of revenue at several of our businesses. Our PrimaLoft business contributed approximately \$18 million in cost of revenues for the nine months ended September 30, 2023 based on the timing of the acquisition of PrimaLoft in July 2022. We also saw increases in cost of revenues at 5.11 (\$18.4 million increase), and Lugano (\$20.2 million increase) that correspond to the revenue increases noted above. Marucci also saw a slight increase in cost of sales of \$0.5 million, despite a significantly higher increase in revenue in the current period versus the comparable period in 2022. In the first half of 2022, Marucci had increased air freight costs as they worked to offset supply chain shortages. Gross profit as a percentage of net revenues was approximately 44.6% in the nine months ended September 30, 2023 compared to 40.1% in the nine months ended September 30, 2022. The increase in gross profit as a percentage of net sales in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 is primarily attributable to the implementation of price increases at most of our subsidiary businesses in response to rising costs, and the mix of products sold, with increases in net revenue at our higher margin businesses. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by subsidiary business segment.

#### ***Selling, general and administrative expense***

Consolidated selling, general and administrative expense increased approximately \$52.0 million during the nine months ended September 30, 2023, compared to the corresponding period in 2022. A portion of the increase in selling general and administrative expense in the nine months ended September 30, 2023 is due to our PrimaLoft acquisition in July 2022 (approximately \$11 million of the increase, of which \$2.4 million was attributable to integration services fees). We also saw increases in selling, general and administrative expenses at several of our consumer brands due to increased investment in marketing and headcount, particularly 5.11 (\$15.4 million of the increase), Lugano (\$17.1 million of the increase) and Marucci (\$6.4 million). Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by subsidiary business segment. At the corporate level, general and administrative expense was \$12.6 million in the first nine months of 2023 and \$11.0 million in the first nine months of 2022, an increase of \$1.7 million due to an increase in professional fees due to increasing regulatory requirements and the timing of investor relation events .

### Fees to manager

Pursuant to the Management Services Agreement ("MSA"), we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the nine months ended September 30, 2023, we incurred approximately \$51.9 million in management fees as compared to \$45.9 million in fees in the nine months ended September 30, 2022. The increase in management fees is primarily attributable to our acquisition of PrimaLoft in July 2022. CGM entered into a waiver of the MSA for a period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the second half of 2022 and the first half of 2023 than would have normally been due.

### Amortization expense

Amortization expense for the nine months ended September 30, 2023 increased \$12.5 million as compared to the nine months ended September 30, 2022 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for PrimaLoft, which was acquired in July 2022.

### Impairment expense

Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below the forecast that we used in the quantitative annual impairment test of Velocity Outdoor at March 31, 2023. The impairment test resulted in Velocity recording impairment expense, including the income tax effect, of \$32.6 million in the nine months ended September 30, 2023.

### Interest expense

We recorded interest expense totaling \$80.4 million for the nine months ended September 30, 2023 compared to \$57.7 million for the comparable period in 2022, an increase of \$22.6 million. The increase in interest expense in the current period reflects higher amounts outstanding on our revolving credit facility in the current year, the interest expense associated with our 2022 Term Loan that we entered into in July 2022 in connection with our acquisition of PrimaLoft, and the higher interest rate environment in the current year versus the comparable period in the prior year.

### Other income (expense)

For the nine months ended September 30, 2023, we recorded \$2.1 million in other income as compared to \$0.9 million in other income in the nine months ended September 30, 2022, a decrease in other income of \$1.2 million. Other income (expense) typically reflects the movement in foreign currency at our subsidiary businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred or income earned that are not considered a part of our operations. In the prior year, we recognized a non-recurring settlement of \$1.8 million at Marucci, which contributed to the decrease in the current period.

### Income taxes

We had an income tax provision of \$20.2 million during the nine months ended September 30, 2023 compared to an income tax provision of \$36.6 million during the same period in 2022, a decrease of \$16.4 million. Our income before income taxes for the nine months ended September 30, 2023 decreased by approximately \$37.5 million as compared to the prior year nine months ended. During the first nine months of 2023, we had an effective income tax rate of 49.2% as compared to an effective income tax rate of 46.6% for the first nine months of 2022. During the first nine months of 2023, the effective income tax rate differed from the U.S. statutory rate of 21.0% primarily due to foreign income taxes and limitations on the use of net operating loss carryforwards and interest expense deductions at our subsidiaries, as well as the tax effect of the impairment expense at Velocity, while in the first nine months of 2022, the difference with the U.S. statutory rate was primarily attributable to the effect of state and local income taxes and the impact of tax expense of \$12.2 million (reversal of a tax benefit recorded in the fourth quarter of 2021) at the Trust associated with the reclassification of Advanced Circuits from held-for sale to continuing operations in September 2022.

## Results of Operations - Business Segments

### Branded Consumer Businesses

#### 5.11

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Net sales	\$ 135,213	100.0 %	\$ 126,537	100.0 %	\$ 385,695	100.0 %	\$ 350,608	100.0 %
Gross profit	\$ 70,363	52.0 %	\$ 67,202	53.1 %	\$ 203,199	52.7 %	\$ 186,487	53.2 %
SG&A	\$ 54,535	40.3 %	\$ 52,669	41.6 %	\$ 164,236	42.6 %	\$ 148,861	42.5 %
Segment operating income	\$ 13,400	9.9 %	\$ 12,091	9.6 %	\$ 31,652	8.2 %	\$ 30,301	8.6 %

#### **Three months ended September 30, 2023 compared to three months ended September 30, 2022**

##### Net sales

Net sales for the three months ended September 30, 2023 were \$135.2 million as compared to net sales of \$126.5 million for the three months ended September 30, 2022, an increase of \$8.7 million, or 6.9%. This increase was driven by a \$4.1 million increase in direct-to-consumer sales largely due to strong demand in digital sales, in addition to sales from 23 new retail store openings since September 2022 (bringing the total store count to 124 as of September 30, 2023). Additionally, domestic wholesale sales increased \$1.8 million and international sales increased \$2.3 million due to strong demand and inventory availability and fulfillment of a \$1.6 million direct-to-agency contract.

##### Gross profit

Gross profit as a percentage of net sales was 52.0% in the three months ended September 30, 2023 as compared to 53.1% for the three months ended September 30, 2022. Gross profit as a percentage of net sales for the three months ended September 30, 2023 was unfavorably impacted by an increase in inventory reserves for aged raw materials, as well as increased promotional activity to sell through seasonal product, which were offset favorably by customer mix and product mix.

##### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was \$54.5 million, or 40.3% of net sales compared to \$52.7 million, or 41.6% of net sales for the comparable period in 2022. The increase in selling, general and administrative expense was largely driven by the costs associated with additional retail stores and increased headcount from September 30, 2022, which was offset by decreased sales and marketing spend, decreased usage of temporary labor during the current quarter and decreased other expenses.

##### Segment operating income

Segment operating income for the three months ended September 30, 2023 was \$13.4 million, an increase of \$1.3 million when compared to segment operating income of \$12.1 million for the same period in 2022, based on the factors described above.

#### **Nine Months Ended September 30, 2023 compared to nine months ended September 30, 2022**

##### Net sales

Net sales for the nine months ended September 30, 2023 were \$385.7 million as compared to net sales of \$350.6 million for the nine months ended September 30, 2022, an increase of \$35.1 million, or 10.0%. This increase is primarily driven by a \$22.0 million increase in direct-to-consumer sales largely due to strong demand in digital sales, in addition to sales from 23 new retail store openings since September 2022 (bringing the total store count to 124 as of September 30, 2023). Additionally, international sales increased \$7.0 million while domestic wholesale sales



increased \$6.1 million both resulting from strong demand and inventory availability improvement as compared to the prior year.

Gross profit

Gross profit as a percentage of net sales was 52.7% in the nine months ended September 30, 2023 as compared to 53.2% for the nine months ended September 30, 2022. Gross profit percentage for the nine months ended September 30, 2023 was unfavorably impacted by increased product costs, promotional activity to sell through seasonal inventory and an increase in inventory reserves for aged raw materials, which was offset favorably by price increases, as well as customer mix and product mix.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was \$164.2 million, or 42.6% of net sales compared to \$148.9 million, or 42.5% of net sales for the comparable period in 2022. The increase in selling, general and administrative expense for the nine months ended September 30, 2023 was largely driven by the costs associated with additional retail stores, increased headcount from September 30, 2022, as well as increased bonus related expenses. These increases were offset by decreases in expenses related to the usage of temporary labor and bad debt expense.

Segment operating income

Segment operating income for the nine months ended September 30, 2023 was \$31.7 million, which represents a slight increase when compared to segment operating income of \$30.3 million for the same period in 2022, based on the factors described above.

**BOA**

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Net sales	\$ 37,281	100.0%	\$ 50,019	100.0%	\$ 113,390	100.0%	\$ 166,215	100.0%
Gross profit	\$ 21,961	58.9%	\$ 29,875	59.7%	\$ 67,559	59.6%	\$ 101,973	61.4%
SG&A	\$ 11,099	29.8%	\$ 12,725	25.4%	\$ 32,332	28.5%	\$ 39,223	23.6%
Segment operating income	\$ 6,684	17.9%	\$ 12,975	25.9%	\$ 22,685	20.0%	\$ 50,237	30.2%

**Three months ended September 30, 2023 compared to three months ended September 30, 2022**

Net sales

Net sales for the three months ended September 30, 2023 were \$37.3 million as compared to net sales of \$50.0 million for the three months ended September 30, 2022, a decrease of \$12.7 million, or 25.5%. The main factor of the decrease in sales was higher than anticipated end market inventory levels due to supply chain normalization and corresponding inventory ordering surge experienced in many of our industries in 2022. We anticipate a normalization of inventory levels by the middle of next year.

Gross profit

Gross profit as a percentage of net sales was 58.9% in the three months ended September 30, 2023 as compared to 59.7% for the three months ended September 30, 2022. The decrease in gross profit as a percentage of net sales was driven by fixed manufacturing overhead expenses and an increase in depreciation related to tooling.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was \$11.1 million, or 29.8% of net sales compared to \$12.7 million, or 25.4% of net sales for the comparable period in 2022. The decrease in selling, general, and administrative expense is primarily due to decreased employee costs related to BOA's bonus plan and a decrease in marketing expense.

### Segment operating income

Segment operating income for the three months ended September 30, 2023 was \$6.7 million, a decrease of \$6.3 million when compared to segment operating income of \$13.0 million for the same period in 2022, based on the factors described above.

### ***Nine Months Ended September 30, 2023 compared to nine months ended September 30, 2022***

#### Net sales

Net sales for the nine months ended September 30, 2023 were \$113.4 million as compared to net sales of \$166.2 million for the nine months ended September 30, 2022, a decrease of \$52.8 million, or 31.8%. The main factor of the decrease in sales was higher than anticipated end market inventory levels due to supply chain normalization and corresponding inventory ordering surge experienced in many of our industries in 2022. We anticipate a normalization of inventory levels by the middle of next year.

#### Gross profit

Gross profit as a percentage of net sales was 59.6% in the nine months ended September 30, 2023 as compared to 61.4% for the nine months ended September 30, 2022. The decrease in gross profit as a percentage of net sales was driven by fixed manufacturing overhead expenses and an increase in depreciation related to tooling.

#### Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was \$32.3 million, or 28.5% of net sales compared to \$39.2 million, or 23.6% of net sales for the comparable period in 2022. The decrease in selling, general, and administrative expense is primarily due to decreased employee costs related to BOA's bonus plan and a decrease in marketing expense.

### Segment operating income

Segment operating income for the nine months ended September 30, 2023 was \$22.7 million, a decrease of \$27.6 million when compared to segment operating income of \$50.2 million for the same period in 2022, based on the factors described above.

### **Ergobaby**

	<u>Three months ended</u>				<u>Nine months ended</u>			
	<u>September 30, 2023</u>		<u>September 30, 2022</u>		<u>September 30, 2023</u>		<u>September 30, 2022</u>	
Net sales	\$ 23,218	100.0 %	\$ 21,540	100.0 %	\$ 71,785	100.0 %	\$ 68,256	100.0 %
Gross profit	\$ 15,037	64.8 %	\$ 13,157	61.1 %	\$ 45,956	64.0 %	\$ 42,129	61.7 %
SG&A	\$ 11,758	50.6 %	\$ 10,576	49.1 %	\$ 35,781	49.8 %	\$ 32,302	47.3 %
Segment operating income	\$ 1,288	5.5 %	\$ 593	2.8 %	\$ 4,202	5.9 %	\$ 3,866	5.7 %

### ***Three months ended September 30, 2023 compared to three months ended September 30, 2022***

#### Net sales

Net sales for the three months ended September 30, 2023 were \$23.2 million, an increase of \$1.7 million, or 7.8%, compared to the same period in 2022. During the three months ended September 30, 2023, international sales were approximately \$14.9 million, representing an increase of \$0.4 million over the corresponding period in 2022, primarily as a result of European direct territories offset by soft distributor sales. Domestic sales were \$8.3 million in the third quarter of 2023, reflecting an increase of \$1.4 million compared to the corresponding period in 2022. The increase in sales was primarily due to increases on our owned websites and key accounts which were offset by the closure of a large domestic retailer.

#### Gross profit

Gross profit as a percentage of net sales was 64.8% for the three months ended September 30, 2023, as compared to 61.1% for the three months ended September 30, 2022. The increase in gross profit as a percentage of sales was due to shifts in channel mix and a favorable accrual true-up.

### Selling, general and administrative expense

Selling, general and administrative expense increased \$1.2 million quarter over quarter, with expense of \$11.8 million, or 50.6% of net sales for the three months ended September 30, 2023 as compared to \$10.6 million or 49.1% of net sales for the same period of 2022. The increase in selling, general and administrative expense in the three months ended September 30, 2023 as compared to the comparable period in the prior year is due to increased marketing, transportation and warehousing expenses, favorable payroll accruals in the prior year as well as increased legal fees in 2023.

### Segment operating income

Ergobaby had segment operating income of \$1.3 million for the three months ended September 30, 2023, an increase of \$0.7 million compared to the same period in 2022, based on the factors noted above.

## **Nine months ended September 30, 2023 compared to nine months ended September 30, 2022**

### Net sales

Net sales for the nine months ended September 30, 2023 were \$71.8 million, an increase of \$3.5 million, or 5.2%, compared to the same period in 2022. During the nine months ended September 30, 2023, international sales were approximately \$44.6 million, representing an increase of \$1.3 million over the corresponding period in 2022, primarily as a result of Asia-Pacific and Latin America distributor sales as well as owned websites. Domestic sales were \$27.2 million in the first nine months of 2023, reflecting an increase of \$2.2 million compared to the corresponding period in 2022. The increase in sales was primarily due to our owned websites as well as key accounts offsetting closure of a large domestic retailer.

### Gross profit

Gross profit as a percentage of net sales was 64.0% for the nine months ended September 30, 2023, as compared to 61.7% for the nine months ended September 30, 2022. The increase in gross profit as a percentage of sales was due to a reduction in inbound freight compared to the prior year as well as shifts in channel mix.

### Selling, general and administrative expense

Selling, general and administrative expense increased \$3.5 million in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, with expense of \$35.8 million, or 49.8% of net sales for the nine months ended September 30, 2023 as compared to \$32.3 million or 47.3% of net sales for the same period of 2022. The increase in selling, general and administrative expense in the nine months ended September 30, 2023 as compared to the comparable period in the prior year is due to payroll expenses and accruals, increased transportation, warehousing and marketing expenses, as well as increased legal fees.

### Segment operating income

Ergobaby had segment operating income of \$4.2 million for the nine months ended September 30, 2023, an increase of \$0.3 million compared to the same period in 2022, based on the factors noted above.

## **Lugano**

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Net sales	\$ 78,735	100.0 %	\$ 51,145	100.0 %	\$ 203,571	100.0 %	\$ 137,229	100.0 %
Gross profit	\$ 45,460	57.7 %	\$ 24,207	47.3 %	\$ 113,435	55.7 %	\$ 67,286	49.0 %
SG&A	\$ 16,070	20.4 %	\$ 10,145	19.8 %	\$ 44,281	21.8 %	\$ 27,208	19.8 %
Segment operating income	\$ 27,963	35.5 %	\$ 12,635	24.7 %	\$ 64,872	31.9 %	\$ 35,885	26.1 %

## **Three months ended September 30, 2023 compared to three months ended September 30, 2022**

### Net sales

Net sales for the quarter ended September 30, 2023 increased approximately \$27.6 million, or 53.9%, to \$78.7 million, compared to the corresponding quarter ended September 30, 2022. Lugano sells high-end jewelry primarily

through retail salons in California, Florida, Texas, Washington D.C., Colorado and Connecticut, and via pop-up showrooms at multiple equestrian, social and charitable functions each year. In the current year, Lugano has experienced strong same store sales growth as it has invested in building out its inventory as well as its sales, marketing and event staff, while increasing the number of social and charitable functions it has attended. Lugano also opened its Washington D.C. location in March 2023 and its Greenwich, Connecticut location in September 2023, and expects to open more retail locations in the near term to further expand sales opportunities.

#### Gross profit

Gross profit as a percentage of net sales totaled approximately 57.7% and 47.3% for the quarters ended September 30, 2023 and September 30, 2022, respectively. Lugano has an extensive network of suppliers through which they procure high quality diamonds and gemstones, which make up a significant percentage of the cost of sales. The increase in margins is attributable to pricing and product mix, especially in its higher priced jewelry pieces.

#### Selling, general and administrative expense

Selling, general and administrative expense was \$16.1 million for the three months ended September 30, 2023 as compared to \$10.1 million in selling, general and administrative expense in the three months ended September 30, 2022. Selling, general and administrative expense represented 20.4% of net sales in the three months ended September 30, 2023 and 19.8% of net sales for the same period of 2022. The increase in selling, general and administrative expense is primarily due to increased marketing spend and personnel costs. Lugano has increased its head count in the last year as it invests in additional professionals to support its growth.

#### Segment operating income

Segment operating income increased during the three months ended September 30, 2023 to \$28.0 million, as compared to \$12.6 million in the corresponding period in 2022. This increase was a result of the factors noted above.

### ***Nine months ended September 30, 2023 compared to nine months ended September 30, 2022***

#### Net sales

Net sales for the nine months ended September 30, 2023 increased approximately \$66.3 million, or 48.3%, to \$203.6 million, compared to the corresponding nine months ended September 30, 2022. Lugano sells high-end jewelry primarily through retail salons in California, Florida, Texas, Washington D.C., Colorado and Connecticut, and via pop-up showrooms at multiple equestrian, social and charitable functions each year. In the current year, Lugano has experienced an increase in sales from its existing locations as it has invested in building out its inventory as well as its sales, marketing and event staff, while increasing the number of social and charitable functions it has attended. Lugano also opened its Washington D.C. location in March 2023 and its Greenwich, Connecticut location in September 2023, and expects to open more retail locations in the near term to further expand sales opportunities.

#### Gross profit

Gross profit as a percentage of net sales totaled approximately 55.7% and 49.0% for the nine months ended September 30, 2023 and September 30, 2022, respectively. Lugano has an extensive network of suppliers through which they procure high quality diamonds and gemstones, which make up a significant percentage of the cost of sales. The uniqueness of the Lugano jewelry can lead to fluctuations in margins from period to period based on what designs are sold during the period.

#### Selling, general and administrative expense

Selling, general and administrative expense was \$44.3 million for the nine months ended September 30, 2023 as compared to \$27.2 million in selling, general and administrative expense in the nine months ended September 30, 2022. Selling, general and administrative expense represented 21.8% of net sales in the nine months ended September 30, 2023 and 19.8% of net sales for the same period of 2022. The increase in selling, general and administrative expense is attributable to increased marketing spend and personnel costs in support of Lugano's growth in sales and expansion into new markets as well as rent and operating costs for its new locations.

#### Segment operating income

Segment operating income increased during the nine months ended September 30, 2023 to \$64.9 million, as compared to \$35.9 million in the corresponding period in 2022. This increase was a result of the factors noted above.

## Marucci Sports

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Net sales	\$ 48,500	100.0 %	\$ 42,753	100.0 %	\$ 144,065	100.0 %	\$ 122,481	100.0 %
Gross profit	\$ 28,907	59.6 %	\$ 24,868	58.2 %	\$ 81,923	56.9 %	\$ 60,826	49.7 %
SG&A	\$ 15,018	31.0 %	\$ 14,102	33.0 %	\$ 45,382	31.5 %	\$ 38,935	31.8 %
Segment operating income	\$ 11,062	22.8 %	\$ 7,692	18.0 %	\$ 28,364	19.7 %	\$ 14,141	11.5 %

### *Three months ended September 30, 2023 compared to three months ended September 30, 2022*

#### Net sales

Net sales for the three months ended September 30, 2023 were \$48.5 million, an increase of \$5.7 million as compared to net sales of \$42.8 million for the three months ended September 30, 2022. The increase in net sales was due to increased customer demand, particularly at big-box retailers and through direct-to-consumer channels, and market share growth in Marucci's key product lines, including aluminum and wood bats, and batting gloves. Marucci completed an add-on acquisition in early April, Baum Bat, a designer and manufacturer of composite bats, which allowed further penetration of the wood bat market during the quarter.

#### Gross profit

Gross profit for the quarter ended September 30, 2023 increased \$4.0 million as compared to the three months ended September 30, 2022. Gross profit as a percentage of net sales for the three months ended September 30, 2023 was 59.6%, as compared to gross profit as a percentage of sales of 58.2% for the three months ended September 30, 2022. The increase in gross profit as a percentage of net sales during the quarter ended September 30, 2023 as compared to the quarter ended September 30, 2022, was primarily due to an increase in direct to consumer sales during the current quarter, which carry higher margins.

#### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was \$15.0 million, or 31.0% of net sales compared to \$14.1 million, or 33.0% of net sales for the three months ended September 30, 2022. The increase in selling, general and administrative expense for the three months ended September 30, 2023 partially correlates to the increase in net sales, with increases in credit card expenses, royalties, commissions, business development fees, and other variable expenses. Marucci also incurred additional promotional and marketing expenses in the current quarter due to seasonal programs at several retail customers, and increased operational expenses to support its growth.

#### Segment operating income

Segment operating income for the three months ended September 30, 2023 was \$11.1 million, an increase of \$3.4 million when compared to segment operating income of \$7.7 million for the same period in 2022, primarily as a result of the factors noted above.

### *Nine months ended September 30, 2023 compared to nine months ended September 30, 2022*

#### Net sales

Net sales for the nine months ended September 30, 2023 were \$144.1 million, an increase of \$21.6 million as compared to net sales of \$122.5 million for the nine months ended September 30, 2022. The increase in net sales was primarily due to increased customer demand and market share in many of Marucci's key product lines, including aluminum and wood bats, and batting gloves.

#### Gross profit

Gross profit for the nine months ended September 30, 2023 increased \$21.1 million as compared to the nine months ended September 30, 2022. Gross profit as a percentage of net sales for the nine months ended September 30, 2023 was 56.9%, as compared to gross profit as a percentage of sales of 49.7% for the nine months ended September 30, 2022. The increase in gross profit as a percentage of net sales during the nine months ended

September 30, 2023 as compared to the nine months ended September 30, 2022, was primarily due to higher spending on air-freight in the prior year as supply chain issues led to increased transportation costs, and higher direct to consumer sales during the current year, which carry higher margins.

#### Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was \$45.4 million, or 31.5% of net sales compared to \$38.9 million, or 31.8% of net sales for the nine months ended September 30, 2022. The increase in selling, general and administrative expense for the nine months ended September 30, 2023 partially correlates to the increase in net sales, with increases in credit card expenses, royalties, commissions, business development fees, and other variable expenses. Marucci also incurred additional promotional and marketing expenses in the current period due to seasonal programs at several retail customers, and increased operational expenses to support its growth.

#### Segment operating income

Segment operating income for the nine months ended September 30, 2023 was \$28.4 million, an increase of \$14.2 million when compared to segment operating income of \$14.1 million for the same period in 2022, primarily as a result of the factors noted above.

#### **PrimaLoft**

In the following results of operations, we provide comparative pro forma results of operations for PrimaLoft for the three and nine months ended September 30, 2022 as if we had acquired the business on January 1, 2022. The results of operations that follows include relevant pro-forma adjustments for pre-acquisition periods and explanations where applicable. The operating results for PrimaLoft have been included in the consolidated results of operation from the date of acquisition in July 2022.

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
			Pro forma				Pro forma	
Net sales	\$ 10,930	100.0 %	\$ 13,031	100.0 %	\$57,619	100.0 %	\$ 65,897	100.0 %
Gross profit	\$ 6,539	59.8 %	\$ 7,194	55.2 %	\$36,096	62.6 %	\$ 39,229	59.5 %
SG&A	\$ 3,842	35.2 %	\$ 10,780	82.7 %	\$14,654	25.4 %	\$ 18,746	28.4 %
Segment operating income (loss)	\$ (2,756)	(25.2)%	\$ (7,942)	(60.9)%	\$5,082	8.8 %	\$ 7,414	11.3 %

*Pro forma results of operations include the following pro forma adjustments as if we had acquired PrimaLoft January 1, 2022:*

- Additional amortization expense associated with the intangible assets recorded in connection with the purchase price allocation of PrimaLoft of \$0.7 million and \$8.9 million, respectively, for the three months and nine months ended September 30, 2022.
- Management fees that would have been payable to the Manager during the period.

#### ***Three months ended September 30, 2023 compared to proforma three months ended September 30, 2022***

#### Net sales

Net sales for the three months ended September 30, 2023 were \$10.9 million, a decrease of \$2.1 million as compared to net sales of \$13.0 million for the three months ended September 30, 2022. The decrease in net sales in the current quarter versus the quarter ended September 30, 2022 is attributable to lower ordering from existing customers as a result of higher inventory levels at retail customers which more than offset new customer wins. We expect that retail ordering will begin to normalize by the end of this year which we believe will improve our results in 2024.

#### Gross profit

Gross profit for the quarter ended September 30, 2023 decreased \$0.7 million as compared to the three months ended September 30, 2022. Gross profit as a percentage of net sales for the three months ended September 30, 2023 was 59.8%, as compared to gross profit as a percentage of sales of 55.2% for the three months ended September 30, 2022. The increase in gross profit as a percentage of net sales in the quarter ended September 30,

2023 as compared to the quarter ended September 30, 2022 is due to price increases implemented in the fourth quarter of 2022.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was \$3.8 million, or 35.2% of net sales compared to \$10.8 million, or 82.7% of net sales for the three months ended September 30, 2022. Selling, general and administrative expense in the prior year quarter included \$1.2 million in integration services fees and \$5.8 million in transaction costs associated with the Company's acquisition of PrimaLoft.

Segment operating loss

Segment operating loss for the three months ended September 30, 2023 was \$2.8 million, a decrease of \$5.2 million when compared to segment operating loss of \$7.9 million for the same period in 2022, primarily as a result of the factors noted above.

**Nine months ended September 30, 2023 compared to proforma nine months ended September 30, 2022**

Net sales

Net sales for the nine months ended September 30, 2023 were \$57.6 million, a decrease of \$8.3 million as compared to net sales of \$65.9 million for the nine months ended September 30, 2022. The decrease in net sales in the current period versus the nine months ended September 30, 2022 is attributable to higher than anticipated end market inventory levels leading to lower ordering from existing customers in the first half of the year. We expect that retail ordering will begin to normalize by the end of this year, which we believe will improve our results in 2024..

Gross profit

Gross profit for the nine months ended September 30, 2023 decreased \$3.1 million as compared to the nine months ended September 30, 2022. Gross profit as a percentage of net sales for the nine months ended September 30, 2023 was 62.6%, as compared to gross profit as a percentage of sales of 59.5% for the nine months ended September 30, 2022. The increase in gross profit as a percentage of net sales in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 is due to price increases implemented in the fourth quarter of 2022.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was \$14.7 million, or 25.4% of net sales compared to \$18.7 million, or 28.4% of net sales for the nine months ended September 30, 2022. Selling, general and administrative expense in the nine months ended September 30, 2023 includes \$2.4 million in integration services fees, while selling, general and administrative expense in the nine months ended September 30, 2022 included \$1.2 million in integration services fees and \$5.8 million in transaction costs associated with the Company's acquisition of PrimaLoft. Excluding the integration services fee and transaction costs, selling, general and administrative expense increased due to investments in marketing and brand building.

Segment operating income

Segment operating income for the nine months ended September 30, 2023 was \$5.1 million, a decrease of \$2.3 million when compared to segment operating income of \$7.4 million for the same period in 2022, primarily as a result of the factors noted above.

**Velocity Outdoor**

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Net sales	\$ 54,469	100.0 %	\$ 75,482	100.0 %	\$ 126,348	100.0 %	\$ 180,774	100.0 %
Gross profit	\$ 15,843	29.1 %	\$ 22,314	29.6 %	\$ 33,859	26.8 %	\$ 50,678	28.0 %
SG&A	\$ 9,336	17.1 %	\$ 9,569	12.7 %	\$ 27,196	21.5 %	\$ 24,620	13.6 %
Impairment expense	\$ 32,568	59.8 %	\$ —	— %	\$ 32,568	25.8 %	\$ —	— %
Segment operating (loss) income	\$ (28,581)	(52.5)%	\$ 10,225	13.5 %	\$ (33,467)	(26.5)%	\$ 18,721	10.4 %

### **Three months ended September 30, 2023 compared to three months ended September 30, 2022**

#### Net sales

Net sales for the three months ended September 30, 2023 were \$54.5 million, a decrease of \$21.0 million or 27.8%, compared to the same period in 2022. The decrease in net sales for the three months ended September 30, 2023 is primarily due to declining consumer demand in the overall outdoor sporting goods category.

#### Gross profit

Gross profit for the quarter ended September 30, 2023 decreased \$6.5 million as compared to the quarter ended September 30, 2022. Gross profit as a percentage of net sales decreased to 29.1% for the three months ended September 30, 2023 as compared to 29.6% in the three months ended September 30, 2022 due to product mix along with reduced absorption of operating costs.

#### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was \$9.3 million, or 17.1% of net sales compared to \$9.6 million, or 12.7% of net sales for the three months ended September 30, 2022. The increase in selling, general and administrative expense as a percentage in net sales for the three months ended September 30, 2023 as compared to the prior period is driven by reduced revenue and marketing investments associated with the King's acquisition.

#### Impairment expense

Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below forecast amounts that were used in quantitative impairment testing performed in March 2023. The impairment test resulted in Velocity recording impairment expense of \$32.6 million in the quarter ended September 30, 2023.

#### Segment operating income (loss)

Segment operating loss for the three months ended September 30, 2023 was \$28.6 million, a decrease of \$38.8 million when compared to segment operating income of \$10.2 million for the same period in 2022 based on the factors noted above.

### **Nine months ended September 30, 2023 compared to nine months ended September 30, 2022**

#### Net sales

Net sales for the nine months ended September 30, 2023 were \$126.3 million, a decrease of \$54.4 million or 30.1%, compared to the same period in 2022. The decrease in net sales for the nine months ended September 30, 2023 is primarily due to declining consumer demand in the overall outdoor sporting goods category.

#### Gross profit

Gross profit for the nine months ended September 30, 2023 decreased \$16.8 million as compared to the nine months ended September 30, 2022. Gross profit as a percentage of net sales decreased to 26.8% for the nine months ended September 30, 2023 as compared to 28.0% in the nine months ended September 30, 2022 due to product mix along with reduced absorption of operating costs.

#### Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was \$27.2 million, or 21.5% of net sales compared to \$24.6 million, or 13.6% of net sales for the nine months ended September 30, 2022. The increase in selling, general and administrative expense as a percentage of net sales for the nine months ended September 30, 2023 as compared to the prior period is driven by reduced revenue and marketing investments associated with the King's acquisition.



### Impairment expense

Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below forecast amounts that were used in quantitative impairment testing performed in March 2023. The impairment test resulted in Velocity recording impairment expense of \$32.6 million in the nine months ended September 30, 2023.

### Segment operating income (loss)

Segment operating loss for the nine months ended September 30, 2023 was \$33.5 million, a decrease of \$52.2 million when compared to segment operating income of \$18.7 million for the same period in 2022 based on the factors noted above.

## **Niche Industrial Businesses**

### **Altor Solutions**

	<b>Three months ended</b>				<b>Nine months ended</b>			
	<b>September 30, 2023</b>		<b>September 30, 2022</b>		<b>September 30, 2023</b>		<b>September 30, 2022</b>	
Net sales	\$ 59,215	100.0 %	\$ 69,618	100.0 %	\$ 181,613	100.0 %	\$ 199,590	100.0 %
Gross profit	\$ 18,462	31.2 %	\$ 15,284	22.0 %	\$ 54,733	30.1 %	\$ 43,246	21.7 %
SG&A	\$ 7,117	12.0 %	\$ 6,127	8.8 %	\$ 22,038	12.1 %	\$ 17,132	8.6 %
Segment operating income	\$ 8,749	14.8 %	\$ 6,561	9.4 %	\$ 24,906	13.7 %	\$ 18,303	9.2 %

### ***Three months ended September 30, 2023 compared to three months ended September 30, 2022***

#### Net sales

Net sales for the quarter ended September 30, 2023 were \$59.2 million, a decrease of \$10.4 million, or 14.9%, compared to the quarter ended September 30, 2022. The decrease in net sales during the quarter was due to lower volume versus the third quarter of 2022, primarily in construction and building products.

#### Gross profit

Gross profit as a percentage of net sales was 31.2% and 22.0% for the three months ended September 30, 2023 and 2022, respectively. The increase in gross profit as a percentage of net sales in the quarter ended September 30, 2023, was primarily due to favorable raw material market decreases.

#### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was \$7.1 million as compared to \$6.1 million for the three months ended September 30, 2022, an increase of \$1.0 million. The increase in selling, general and administrative expense in the third quarter of 2023 was due to operational and administrative investments made in the business in the latter part of 2022.

#### Segment operating income

Segment operating income was \$8.7 million in the three months ended September 30, 2023, an increase of \$2.2 million as compared to the three months ended September 30, 2022, based on the factors noted above.

### ***Nine months ended September 30, 2023 compared to nine months ended September 30, 2022***

#### Net sales

Net sales for the nine months ended September 30, 2023 were \$181.6 million, a decrease of \$18.0 million, or 9.0%, compared to the nine months ended September 30, 2022. The decrease in net sales during the period was due to lower volume as compared to the prior year, primarily in construction and building products.

### Gross profit

Gross profit as a percentage of net sales was 30.1% and 21.7% for the nine months ended September 30, 2023 and 2022, respectively. The increase in gross profit as a percentage of net sales in the nine months ended September 30, 2023, was primarily due to the combination of customer and raw material pricing adjustments.

### Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was \$22.0 million as compared to \$17.1 million for the nine months ended September 30, 2022, an increase of \$4.9 million. The increase in selling, general and administrative expense in the first nine months of 2023 was due to investments in organizational structure and the implementation of various strategic initiatives.

### Segment operating income

Segment operating income was \$24.9 million in the nine months ended September 30, 2023, an increase of \$6.6 million as compared to the nine months ended September 30, 2022, based on the factors noted above.

## **Arnold**

	<b>Three months ended</b>				<b>Nine months ended</b>			
	<b>September 30, 2023</b>		<b>September 30, 2022</b>		<b>September 30, 2023</b>		<b>September 30, 2022</b>	
Net sales	\$ 41,819	100.0 %	\$ 39,377	100.0 %	\$ 122,047	100.0 %	\$ 116,319	100.0 %
Gross profit	\$ 11,898	28.5 %	\$ 12,742	32.4 %	\$ 36,392	29.8 %	\$ 35,000	30.1 %
SG&A	\$ 6,409	15.3 %	\$ 6,530	16.6 %	\$ 18,751	15.4 %	\$ 18,352	15.8 %
Segment operating income	\$ 4,739	11.3 %	\$ 5,462	13.9 %	\$ 15,390	12.6 %	\$ 14,075	12.1 %

### ***Three months ended September 30, 2023 compared to three months ended September 30, 2022***

### Net sales

Net sales for the three months ended September 30, 2023 were approximately \$41.8 million, an increase of \$2.4 million compared to the same period in 2022. International sales were \$13.0 million in both the three months ended September 30, 2023 and the three months ended September 30, 2022. The increase in net sales is primarily a result of increased demand in several markets including aerospace and defense, and industrial.

### Gross profit

Gross profit for the three months ended September 30, 2023 was approximately \$11.9 million compared to approximately \$12.7 million in the same period of 2022. Gross profit as a percentage of net sales decreased to 28.5% for the quarter ended September 30, 2023 from 32.4% in the quarter ended September 30, 2022 principally due to product mix and higher staffing related costs.

### Selling, general and administrative expense

Selling, general and administrative expense in the three months ended September 30, 2023 was \$6.4 million, a decrease in expense of approximately \$0.1 million compared to \$6.5 million for the three months ended September 30, 2022. Selling, general and administrative expense was 15.3% of net sales in the three months ended September 30, 2023 and 16.6% in the three months ended September 30, 2022.

### Segment operating income

Segment operating income for the three months ended September 30, 2023 was approximately \$4.7 million, a decrease of \$0.7 million when compared to the same period in 2022, as a result of the factors noted above.

**Nine months ended September 30, 2023 compared to nine months ended September 30, 2022**

Net sales

Net sales for the nine months ended September 30, 2023 were approximately \$122.0 million, an increase of \$5.7 million compared to the same period in 2022. International sales were \$38.7 million in the nine months ended September 30, 2023 and \$36.4 million in the nine months ended September 30, 2022. The increase in net sales is primarily a result of increased demand in several markets including aerospace and defense, and industrial.

Gross profit

Gross profit for the nine months ended September 30, 2023 was approximately \$36.4 million compared to approximately \$35.0 million in the same period of 2022. Gross profit as a percentage of net sales decreased to 29.8% for the nine months ended September 30, 2023 from 30.1% in the nine months ended September 30, 2022 principally due to product mix and higher staffing related costs.

Selling, general and administrative expense

Selling, general and administrative expense in the nine months ended September 30, 2023 was \$18.8 million, an increase in expense of approximately \$0.4 million compared to \$18.4 million for the nine months ended September 30, 2022. Selling, general and administrative expense was 15.4% of net sales in the nine months ended September 30, 2023 and 15.8% in the nine months ended September 30, 2022. The increase in selling general and administrative expense was due to increased staffing related costs and increased travel and legal expenses.

Segment operating income

Segment operating income for the nine months ended September 30, 2023 was approximately \$15.4 million, an increase of \$1.3 million when compared to the same period in 2022, as a result of the factors noted above.

**Sterno**

	Three months ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Net sales	\$ 80,185	100.0 %	\$ 88,636	100.0 %	\$ 229,819	100.0 %	\$ 249,745	100.0 %
Gross profit	\$ 19,749	24.6 %	\$ 14,469	16.3 %	\$ 55,788	24.3 %	\$ 49,066	19.6 %
SG&A	\$ 9,073	11.3 %	\$ 7,417	8.4 %	\$ 25,057	10.9 %	\$ 22,491	9.0 %
Segment operating income	\$ 6,438	8.0 %	\$ 2,795	3.2 %	\$ 18,019	7.8 %	\$ 13,783	5.5 %

**Three months ended September 30, 2023 compared to three months ended September 30, 2022**

Net sales

Net sales for the three months ended September 30, 2023 were approximately \$80.2 million, a decrease of \$8.5 million, or 9.5%, compared to the same period in 2022. The net sales variance reflects lower sales at Rimports due to changes in consumer discretionary buying behaviors as a result of inflationary pressures.

Gross profit

Gross profit as a percentage of net sales increased from 16.3% for the three months ended September 30, 2022 to 24.6% for the three months ended September 30, 2023. The increase in gross profit percentage in the third quarter of 2023 as compared to the third quarter of 2022 was primarily attributable to lower freight costs and favorable material costs across the businesses and the effect of a price increase at Sterno Products.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2023 was approximately \$9.1 million as compared to \$7.4 million for the three months ended September 30, 2022, an increase of \$1.7 million reflecting an increase in travel, marketing related salaries and promotional activity for both divisions of the company in the current period. Selling, general and administrative expense represented 11.3% of net sales for the three months ended September 30, 2023 and 8.4% for the three months ended September 30, 2022.

Segment operating income

Segment operating income for the three months ended September 30, 2023 was approximately \$6.4 million, an increase of \$3.6 million compared to the three months ended September 30, 2022 based on the factors noted above.

***Nine months ended September 30, 2023 compared to nine months ended September 30, 2022***

Net sales

Net sales for the nine months ended September 30, 2023 were approximately \$229.8 million, a decrease of \$19.9 million, or 8.0%, compared to the same period in 2022. The net sales variance reflects lower sales at Rimports due to changes in consumer discretionary buying behaviors as a result of inflationary pressures, partially offset by strong sales at Sterno Products with increased spending in travel, entertainment, weddings and conventions.

Gross profit

Gross profit as a percentage of net sales increased from 19.6% for the nine months ended September 30, 2022 to 24.3% for the nine months ended September 30, 2023. The increase in gross profit percentage in the first nine months of 2023 as compared to the first nine months of 2022 was primarily attributable to lower freight costs and favorable material costs across the businesses and the effect of a price increase at Sterno Products.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2023 was approximately \$25.1 million as compared to \$22.5 million for the nine months ended September 30, 2022, an increase of \$2.6 million reflecting an increase in travel, marketing related salaries and promotional activity for both divisions of the company in the current period. Selling, general and administrative expense represented 10.9% of net sales for the nine months ended September 30, 2023 and 9.0% for the nine months ended September 30, 2022.

Segment operating income

Segment operating income for the nine months ended September 30, 2023 was approximately \$18.0 million, an increase of \$4.2 million compared to the nine months ended September 30, 2022 based on the factors noted above.

## Liquidity and Capital Resources

We generate cash primarily from the operations of our subsidiaries, and we have the ability to borrow under our 2022 Credit Facility to fund our operating, investing and financing activities. In January 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2023, up to \$50 million of its outstanding common shares. In 2021, we filed a prospectus supplement pursuant to which we may, but we have no obligation to, issue and sell up to \$500 million of the common shares of the Trust in amounts and at times to be determined by us. Actual sales will depend on a variety of factors to be determined by us from time to time, including, market conditions, the trading price of Trust common shares and determinations by us regarding appropriate sources of funding.

Our liquidity requirements primarily relate to our debt service requirements, payments of our common and preferred share distributions, management fees paid to our Manager, working capital needs and purchase commitments at our subsidiaries. As of September 30, 2023, we had \$1,000.0 million of indebtedness associated with our 5.250% 2029 Notes, \$300.0 million of indebtedness associated with our 5.000% 2032 Notes, \$387.5 million outstanding on our 2022 Term Loan, and \$112.0 million outstanding on our 2022 Revolving Credit Facility. Only our 2022 Term Loan has required principal payments. Long-term debt liquidity requirements consist of the payment in full of our Notes upon their respective maturity dates, amounts outstanding under our 2022 Revolving Credit Facility upon its maturity date, and principal payments under our 2022 Term Loan. The 2022 Term Loan requires quarterly payments ranging from \$2.5 million to \$7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date. At September 30, 2023, approximately 28% of our outstanding debt was subject to interest rate changes.

At September 30, 2023, we had approximately \$64.7 million of cash and cash equivalents on hand, an increase of \$6.9 million as compared to the year ended December 31, 2022. The majority of our cash is in non-interest bearing checking accounts or invested in short-term money market accounts and is maintained in accordance with the Company's investment policy, which identifies allowable investments and specifies credit quality standards. Our availability under our 2022 Revolving Credit Facility at September 30, 2023 was \$485.8 million. The change in cash and cash equivalents for the nine months ended September 30, 2023 and 2022 is as follows:

### Operating Activities:

<i>(in thousands)</i>	Nine months ended	
	September 30, 2023	September 30, 2022
Cash provided by (used in) operating activities	\$ 56,952	\$ (39,923)

For the nine months ended September 30, 2023, cash flows provided by operating activities totaled approximately \$57.0 million, which represents a \$96.9 million decrease in cash use compared to cash used in operating activities of \$39.9 million during the nine-month period ended September 30, 2022. Cash used in operating activities for working capital for the nine months ended September 30, 2023 was \$113.9 million, as compared to cash used in operating activities for working capital of \$222.0 million for the nine months ended September 30, 2022. The increase in the use of cash for working capital in the nine months ended September 30, 2022 reflects the acquisition of Lugano in the third quarter of 2021. Lugano has used significant cash to build inventory to support its sales growth strategy in both 2022 and 2023, with net inventory build of \$121.7 million in the nine months ended September 30, 2023, and \$87.6 million in the nine months ended September 30, 2022. We typically have a higher usage of cash for working capital in the first half of the year as most of our subsidiaries will build up inventories after the fourth quarter. In the fourth quarter of 2021 and continuing into 2022, several of our subsidiary businesses increased inventory levels to combat supply chain issues given longer lead times leading to higher use of working capital for inventory in the prior year. We believe that the use of working capital in 2023 reflects a more normalized use of cash by our businesses as supply chains have normalized over the past year.

### Investing Activities:

<i>(in thousands)</i>	Nine months ended	
	September 30, 2023	September 30, 2022
Cash provided by (used in) investing activities	\$ 104,291	\$ (598,951)

Cash flows provided by investing activities for the nine months ended September 30, 2023 totaled \$104.3 million, compared to cash used in investing activities of \$599.0 million in the same period of 2022. In the current year, investing activities reflects the sale of Advanced Circuits and the proceeds received related to the sale, and an add-on acquisition at Marucci in the second quarter of 2023, while cash used in investing activities in the prior year reflects our acquisition of PrimaLoft in July 2022. Capital expenditures spend increased \$4.2 million during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, with \$43.6 million in capital expenditures in 2023 and \$39.5 million in capital expenditures in 2022. The increase in capital expenditures is primarily to support the retail store growth at both 5.11 and Lugano. We expect capital expenditures for the full year of 2023 to be between approximately \$60 million to \$70 million.

*Financing Activities:*

<i>(in thousands)</i>	Nine months ended	
	September 30, 2023	September 30, 2022
Cash provided by (used in) financing activities	\$ (157,927)	\$ 542,128

Cash flows used in financing activities totaled approximately \$157.9 million during the nine months ended September 30, 2023 compared to cash flows provided by financing activities of \$542.1 million during the nine months ended September 30, 2022. Financing activities in the current year reflects \$7.4 million in purchases under our share repurchase program, while financing activities in the first nine months of 2022 reflects \$83.9 million of Trust common shares issued under our at-the market share offering program. In the current year, we paid back \$50.5 million, net, against our 2022 Credit Facility, while in the prior year, we amended our 2022 Credit Facility to enter into a new \$400 million Term Loan which we used to finance our acquisition of PrimaLoft in July 2022. Financing activities in both periods reflect the payment of our common and preferred share distributions, and current period financing cash flows includes the payment of the profit allocation from the sale of Advanced Circuits to the Allocation Interest Holders.

*Intercompany Debt*

A component of our acquisition financing strategy that we utilize in acquiring the subsidiary businesses we own and manage is to provide both equity capital and debt capital, raised at the parent level through our existing credit facility. Our strategy of providing intercompany debt financing within the capital structure of our subsidiaries allows us the ability to distribute cash to the parent company through monthly interest payments and amortization of the principal on these intercompany loans. Each loan to our subsidiary businesses has a scheduled maturity and each subsidiary business is entitled to repay all or a portion of the principal amount of the outstanding loans, without penalty, prior to maturity. Certain of our subsidiaries have paid down their respective intercompany debt balances through the cash flow generated by these subsidiaries and we have recapitalized, and expect to continue to recapitalize, these subsidiaries in the normal course of our business. The recapitalization process involves funding the intercompany debt using either cash on hand at the parent or our applicable credit facility, and serves the purpose of optimizing the capital structure at our subsidiaries and providing the noncontrolling shareholders with a distribution on their ownership interest in a cash flow positive business.

In February 2022, we completed a recapitalization at Ergobaby whereby the LLC entered into an amendment to the intercompany loan agreement with Ergobaby (the "Ergobaby Loan Agreement"). The Ergobaby Loan Agreement was amended to provide for additional term loan borrowings of \$61.5 million to fund a distribution to shareholders. The LLC owned 81.6% of the outstanding shares of Ergobaby on the date of the distribution and received \$50.2 million. The remaining amount of the distribution was paid to minority shareholders.

In the second quarter of 2023, we amended the Marucci intercompany credit agreement to increase the borrowing availability under their credit agreement to allow for the financing of an add-on acquisition, and we amended the Velocity intercompany credit agreement to extend the term of the facility and to increase the borrowing availability under the facility. In the second quarter of 2023 and the fourth quarter of 2022, we amended the Lugano intercompany credit agreement to increase the borrowing availability under their credit agreement to allow Lugano to continue to expand their operations. In the first quarter of 2022, we amended the 5.11 and Lugano intercompany credit agreements. The 5.11 amendment increased the capital expenditure allowable under the credit agreement to account for additional growth capital expenditure opportunities primarily related to retail expansion, and amended the financial covenants to reflect the increased allowable expenditure. The Lugano amendment increased the amount available under the revolving credit facility to permit additional investment in inventory, and amended the financial covenants to reflect the increase in the revolving credit facility. We amended the Lugano intercompany

credit agreement again in the second quarter of 2022 to increase the amount in available under the revolving credit facility to permit additional investment in inventory, and amended the financial covenants to reflect the increase in the revolving credit facility. We amended the Velocity intercompany credit agreement in the third quarter of 2022 to increase the amount of the Velocity term loan to allow for the financing of an add-on acquisition.

All of our subsidiaries except Velocity were in compliance with the financial covenants included within their intercompany credit arrangements at September 30, 2023. We issued a waiver to Velocity related to the leverage ratio in the intercompany credit agreement for the quarter ended September 30, 2023.

All intercompany loans eliminate in consolidation and are not reflected in the consolidated balance sheet. As of September 30, 2023, we had the following outstanding loans due from each of our subsidiary businesses (*in thousands*):

Subsidiary	Intercompany loan
5.11	\$ 197,013
BOA	52,245
Ergobaby	81,525
Lugano	348,083
Marucci	84,523
PrimaLoft	164,200
Velocity Outdoor	124,637
Altor	86,893
Arnold	65,347
Sterno	138,129
Total intercompany debt	\$ 1,342,595
Corporate and eliminations	(1,342,595)
Total	\$ —

Our primary source of cash is from the receipt of interest and principal on the outstanding loans to our subsidiaries. Accordingly, we are dependent upon the earnings of and cash flow from these businesses, which are available for (i) operating expenses; (ii) payment of principal and interest under our applicable credit facility and interest on our Senior Notes; (iii) payments to CGM due pursuant to the MSA and the LLC Agreement; (iv) cash distributions to our shareholders; and (v) investments in future acquisitions. Payments made under (iii) above are required to be paid before distributions to shareholders and may be significant and exceed the funds held by us, which may require us to dispose of assets or incur debt to fund such expenditures.

#### *Financing Arrangements*

##### 2022 Credit Facility

On July 12, 2022, we entered into the Third Amended and Restated Credit Agreement (the "2022 Credit Facility") to amend and restate the 2021 Credit Facility. The 2022 Credit Facility provides for revolving loans, swing line loans and letters of credit up to a maximum aggregate amount of \$600 million (the "2022 Revolving Credit Facility") and also permits the LLC, prior to the applicable maturity date, to increase the revolving loan commitment and/or obtain term loans in an aggregate amount of up to \$250 million, subject to certain restrictions and conditions. All amounts outstanding under the 2022 Revolving Credit Facility will become due on July 12, 2027, which is the maturity date of loans advanced under the 2022 Revolving Credit Facility. The 2022 Credit Facility also provides for a \$400 million term loan (the "2022 Term Loan"). The 2022 Term Loan requires quarterly payments ranging from \$2.5 million to \$7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date.

We had \$485.8 million in net availability under the 2022 Revolving Credit Facility at September 30, 2023. The outstanding borrowings under the 2022 Revolving Credit Facility include \$2.2 million of outstanding letters of credit at September 30, 2023, which are not reflected on our balance sheet.

### 2021 Credit Facility

On March 23, 2021, we entered into a Second Amended and Restated Credit Agreement to amend and restate the 2018 Credit Facility. The 2021 Credit Facility provided for revolving loans, swing line loans and letters of credit up to a maximum aggregate amount of \$600 million and also permits the LLC, prior to the applicable maturity date, to increase the revolving loan commitment and/or obtain term loans in an aggregate amount of up to \$250 million, subject to certain restrictions and conditions. The LLC repaid the outstanding amounts under the 2021 Credit Facility in the third quarter of 2022 in connection with entering into the 2022 Credit Facility.

### Senior Notes

#### *2032 Notes*

On November 17, 2021, we consummated the issuance and sale of \$300 million aggregate principal amount of our 5.000% Senior Notes due 2032 (the "2032 Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2032 Notes were issued pursuant to an indenture, dated as of November 17, 2021 (the "2032 Notes Indenture"), between the LLC and U.S. Bank National Association, as trustee. The 2032 Notes bear interest at the rate of 5.000% per annum and will mature on January 15, 2032. Interest on the 2032 Notes is payable in cash on July 15th and January 15th of each year. The 2032 Notes are general unsecured obligations of the LLC and are not guaranteed by our subsidiaries. The proceeds from the sale of the 2032 Notes were used to repay debt outstanding under the 2021 Credit Facility.

#### *2029 Notes*

On March 23, 2021, we consummated the issuance and sale of \$1,000 million aggregate principal amount of our 5.250% Senior Notes due 2029 (the "2029 Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2029 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the "2029 Notes Indenture"), between the LLC and U.S. Bank National Association, as trustee. The 2029 Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the 2029 Notes is payable in cash on April 15th and October 15th of each year. The 2029 Notes are general unsecured obligations of the LLC and are not guaranteed by our subsidiaries.

The following table reflects required and actual financial ratios as of September 30, 2023 included as part of the affirmative covenants in our 2022 Credit Facility.

<u>Description of Required Covenant Ratio</u>	<u>Covenant Ratio Requirement</u>	<u>Actual Ratio</u>
Consolidated Fixed Charge Coverage Ratio	Greater than or equal to 1.50:1.0	2.27:1.0
Consolidated Senior Secured Leverage Ratio	Less than or equal to 3.50:1.0	1.05:1.0
Consolidated Total Leverage Ratio	Less than or equal to 5.50:1.0	4.03:1.0

We exercised an option under our 2022 Credit Facility to increase our Consolidated Total Leverage Ratio to 5.75:1.0 as of December 31, 2022. This increase declined to 5.50 on June 30, 2023, and declines to 5.00 on December 31, 2023.

### Interest Expense

The components of interest expense and periodic interest charges on outstanding debt are as follows (*in thousands*):



	Nine months ended September 30,	
	2023	2022
Interest on credit facilities	\$ 28,031	\$ 5,434
Interest on Senior Notes	50,625	50,625
Unused fee on Revolving Credit Facility	1,467	1,504
Other interest expense	256	214
Interest income	(24)	(40)
Interest expense, net	\$ 80,355	\$ 57,737

The following table provides the effective interest rate of the Company's outstanding debt at September 30, 2023 and December 31, 2022 (*in thousands*):

	September 30, 2023		December 31, 2022	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
2029 Senior Notes	5.25%	\$ 1,000,000	5.25%	\$ 1,000,000
2032 Senior Notes	5.00%	300,000	5.00%	300,000
2022 Term Loan	7.36%	387,500	5.20%	395,000
2022 Revolving Credit Facility	7.45%	112,000	5.98%	155,000
Unamortized debt issuance costs		(13,724)		(15,532)
Total debt outstanding		\$ 1,785,776		\$ 1,834,468

### Reconciliation of Non-GAAP Financial Measures

GAAP or U.S. GAAP refer to generally accepted accounting principles in the United States. From time to time we may publicly disclose certain "non-GAAP" financial measures in the course of our investor presentations, earnings releases, earnings conference calls or other venues. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented.

Non-GAAP financial measures are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These measures are not intended to replace the presentation of financial results in accordance with U.S. GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. The presentation of these non-GAAP financial measures supplements other metrics we use to internally evaluate our subsidiary businesses and facilitate the comparison of past and present operations.

The tables below reconcile the most directly comparable GAAP financial measures to Earnings before Interest, Income Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA, and Adjusted Earnings.

#### *Reconciliation of Net income (loss) from continuing operations to EBITDA, Adjusted EBITDA and Net income (loss) to Adjusted Earnings*

**EBITDA** – EBITDA is calculated as net income (loss) from continuing operations before interest expense, income tax expense (benefit), loss on debt extinguishment, depreciation expense and amortization expense. Amortization expenses consist of amortization of intangibles and debt charges, including debt issuance costs, discounts, etc.

**Adjusted EBITDA** – Adjusted EBITDA is calculated utilizing the same calculation as described above in arriving at EBITDA further adjusted by: (i) noncontrolling stockholder compensation, which generally consists of non-cash stock option expense; (ii) successful acquisition costs, which consist of transaction costs (legal, accounting, due diligence, etc.) incurred in connection with the successful acquisition of a business expensed during the period in compliance with ASC 805; (iii) integration service fees, which reflect fees paid by newly acquired companies to the

Manager for integration services performed during the first year of ownership; and (iv) items of other income or expense that are material to a subsidiary and non-recurring in nature.

**Adjusted Earnings** - Adjusted earnings is calculated as net income (loss) adjusted to include the cost of the distributions to preferred shareholders, and adjusted to exclude the impact of certain costs, expenses, gains and losses and other specified items the exclusion of which management believes provides insight regarding our ongoing operating performance. Depending on the period presented, these adjusted measures exclude the impact of certain of the following items: gains (losses) and income (loss) from discontinued operations, income (loss) from noncontrolling interest, amortization expense, subsidiary stock compensation expense, acquisition-related expenses and items of other income or expense that may be material to a subsidiary and non-recurring in nature.

We believe that EBITDA, Adjusted EBITDA and Adjusted Earnings provide useful information to investors and reflect important financial measures that are used by management in the monthly analysis of our operating results and in preparation of our annual budgets. We believe that investors' understanding of our performance is enhanced by disclosing these performance measures as this presentation allows investors to view the performance of our businesses in a manner similar to the methods used by us and the management of our subsidiary businesses, provides additional insight into our operating results and provides a measure for evaluating targeted businesses for acquisition.

We believe that Adjusted EBITDA and Adjusted Earnings provide useful information to investors and reflects important financial measures as they exclude the effects of items which reflect the impact of long-term investment decisions, rather than the performance of near-term operations. When compared to net income (loss) and net income (loss) from continuing operations, Adjusted Earnings and Adjusted EBITDA, respectively, are each limited in that they do not reflect the periodic costs of certain capital assets used in generating revenues of our subsidiary businesses or the non-cash charges associated with impairments, as well as certain cash charges. The presentation of Adjusted EBITDA allows investors to view the performance of our businesses in a manner similar to the methods used by us and the management of our subsidiaries, provides additional insight into our operating results and provides a measure for evaluating targeted businesses for acquisition. The presentation of Adjusted Earnings provides insight into our operating results and provides a measure for evaluating earnings from continuing operations available to common shareholders. EBITDA, Adjusted EBITDA and Adjusted Earnings are not meant to be a substitute for GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies.

The following tables reconcile EBITDA and Adjusted EBITDA to net income (loss) from continuing operations, which we consider to be the most comparable GAAP financial measure (*in thousands*):

**Adjusted EBITDA**  
**Nine months ended September 30, 2023**

	Corporate	5.11	BOA	Ergobaby	Lugano	Marucci Sports	PrimaLoft	Velocity Outdoor	Altor	Arnold	Sterno	Consolidated
<b>Net income (loss) from continuing operations</b>	\$ (33,858)	\$ 11,850	15,151	\$ (1,114)	\$ 31,468	\$ 16,125	\$ (5,500)	\$ (36,862)	\$ 12,244	\$ 6,911	\$ 4,445	\$ 20,860
Adjusted for:												
Provision (benefit) for income taxes	—	3,990	2,224	(1,272)	10,295	5,150	(3,125)	(5,905)	4,094	3,264	1,512	20,227
Interest expense, net	80,122	(4)	(9)	—	4	3	(9)	232	—	16	—	80,355
Intercompany interest	(106,361)	15,698	5,032	6,484	22,660	6,928	13,343	10,070	8,183	5,078	12,885	—
Depreciation and amortization	929	19,866	17,436	6,112	6,971	9,898	16,084	10,023	12,558	6,248	15,016	121,141
<b>EBITDA</b>	<b>(59,168)</b>	<b>51,400</b>	<b>39,834</b>	<b>10,210</b>	<b>71,398</b>	<b>38,104</b>	<b>20,793</b>	<b>(22,442)</b>	<b>37,079</b>	<b>21,517</b>	<b>33,858</b>	<b>242,583</b>
Other (income) expense	(126)	(103)	117	29	(5)	29	130	(1,179)	201	(1)	(1,161)	(2,069)
Noncontrolling shareholder compensation	—	988	2,069	936	1,312	1,287	219	686	800	26	562	8,885
Impairment expense	—	—	—	—	—	—	—	32,568	—	—	—	32,568
Acquisition expenses	—	—	—	—	—	392	—	—	—	—	—	392
Integration services fee	—	—	—	—	—	—	2,375	—	—	—	—	2,375
Other	—	—	—	—	—	—	—	—	—	—	1,129	1,129
<b>Adjusted EBITDA</b>	<b>\$ (59,294)</b>	<b>\$ 52,285</b>	<b>\$ 42,020</b>	<b>\$ 11,175</b>	<b>\$ 72,705</b>	<b>\$ 39,812</b>	<b>\$ 23,517</b>	<b>\$ 9,633</b>	<b>\$ 38,080</b>	<b>\$ 21,542</b>	<b>\$ 34,388</b>	<b>\$ 285,863</b>

**Adjusted EBITDA**  
**Nine months ended September 30, 2022**

	Corporate	5.11	BOA	Ergobaby	Lugano	Marucci Sports	PrimaLoft	Velocity Outdoor	Altor	Arnold	Sterno	Consolidated
<b>Net income (loss) from continuing operations</b>	\$ (56,373)	\$ 15,540	\$ 37,122	\$ (634)	\$ 21,871	\$ 8,374	\$ (8,492)	\$ 7,826	\$ 7,149	\$ 7,217	\$ 2,337	\$ 41,937
Adjusted for:												
Provision (benefit) for income taxes	12,119	4,999	6,819	432	5,863	2,821	(3,570)	2,372	2,907	2,768	(929)	36,601
Interest expense, net	57,559	12	(19)	2	12	13	(4)	142	—	20	—	57,737
Intercompany interest	(66,876)	9,501	5,634	4,000	7,841	4,649	3,251	6,987	7,844	3,947	13,222	—
Loss on debt extinguishment	534	—	—	—	—	—	—	—	—	—	—	534
Depreciation and amortization	952	16,804	16,345	6,061	8,385	9,558	4,194	9,981	12,254	6,065	15,272	105,871
<b>EBITDA</b>	<b>(52,085)</b>	<b>46,856</b>	<b>65,901</b>	<b>9,861</b>	<b>43,972</b>	<b>25,415</b>	<b>(4,621)</b>	<b>27,308</b>	<b>30,154</b>	<b>20,017</b>	<b>29,902</b>	<b>242,680</b>
Other (income) expense	(72)	93	498	4	2	(1,829)	260	1,154	219	—	(1,185)	(856)
Noncontrolling shareholder compensation	—	1,210	1,889	1,154	800	1,089	—	742	910	38	647	8,479
Acquisition expenses	—	—	—	—	—	—	5,680	222	216	—	—	6,118
Integration services fee	—	—	—	—	1,688	—	1,063	—	—	—	—	2,751
Other	—	—	—	250	—	1,802	—	—	—	—	1,211	3,263
<b>Adjusted EBITDA</b>	<b>\$ (52,157)</b>	<b>\$ 48,159</b>	<b>\$ 68,288</b>	<b>\$ 11,269</b>	<b>\$ 46,462</b>	<b>\$ 26,477</b>	<b>\$ 2,382</b>	<b>\$ 29,426</b>	<b>\$ 31,499</b>	<b>\$ 20,055</b>	<b>\$ 30,575</b>	<b>\$ 262,435</b>

### Reconciliation of Net income (loss) to Adjusted Earnings and Adjusted EBITDA

The following table reconciles Adjusted Earnings to net income (loss), which we consider to be the most comparable GAAP financial measure, and Adjusted Earnings to Adjusted EBITDA (*in thousands*):

	Nine months ended September 30,	
	2023	2022
Net income	\$ 122,964	\$ 63,282
Income (loss) from discontinued operations, net of tax	(1,391)	6,893
Gain on sale of discontinued operations, net of tax	103,495	14,452
Net income from continuing operations	\$ 20,860	\$ 41,937
Less: income from continuing operations attributable to noncontrolling interest	14,892	12,247
Net income attributable to Holdings - continuing operations	\$ 5,968	\$ 29,690
Adjustments:		
Distributions paid - preferred shares	(18,136)	(18,136)
Amortization expense - intangibles and inventory step-up	80,843	72,078
Impairment expense	32,568	—
Tax effect - impairment expense	(4,308)	—
Loss on debt extinguishment	—	534
Stock compensation	8,885	8,479
Acquisition expenses	392	6,118
Integration Services Fee	2,375	2,751
Unrealized corporate tax effect	—	12,119
Other	1,129	3,263
<b>Adjusted Earnings</b>	<b>\$ 109,716</b>	<b>\$ 116,896</b>
Plus (less):		
Depreciation expense	37,264	31,058
Income tax provision	20,227	36,601
Unrealized corporate tax effect	—	(12,119)
Interest expense	80,355	57,737
Amortization of debt issuance costs	3,034	2,735
Tax effect - impairment expense	4,308	—
Income from continuing operations attributable to noncontrolling interest	14,892	12,247
Distributions paid - preferred shares	18,136	18,136
Other (income) expense	(2,069)	(856)
<b>Adjusted EBITDA</b>	<b>\$ 285,863</b>	<b>\$ 262,435</b>

### Seasonality

Earnings of certain of our operating segments are seasonal in nature due to various recurring events, holidays and seasonal weather patterns, as well as the timing of our acquisitions during a given year. Historically, the third and fourth quarter have produced the highest net sales in our fiscal year, however, due to various acquisitions since 2020, there is generally less seasonality in our net sales on a consolidated basis than there has been historically.

## **Related Party Transactions**

### Management Services Agreement

We entered into the MSA with CGM effective May 16, 2006. The MSA provides for, among other things, CGM to perform services for the LLC in exchange for a management fee paid quarterly and equal to 0.5% of the Company's adjusted net assets, as defined in the MSA.

During 2022, CGM entered into a waiver of the MSA for the period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee at March 31, and June 30, 2023 than would normally have been due. At June 30, 2022 and March 31, 2022, CGM entered into a waiver to exclude cash balances held at the LLC from the calculation of the management fee.

For the three and nine months ended September 30, 2023 and 2022, the Company incurred the following management fees to CGM, by entity:

<i>(in thousands)</i>	<b>Three months ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
5.11	\$ 250	\$ 250	\$ 750	\$ 750
BOA	250	250	750	750
Ergobaby	125	125	375	375
Lugano	188	188	563	563
Marucci	125	125	375	375
PrimaLoft	250	250	750	250
Velocity	125	125	375	375
Altor	188	188	563	563
Arnold Magnetics	125	125	375	375
Sterno	125	125	375	375
Corporate	16,845	14,841	46,660	41,178
	<u>\$ 18,596</u>	<u>\$ 16,592</u>	<u>\$ 51,911</u>	<u>\$ 45,929</u>

### Integration Services Agreements

PrimaLoft, which was acquired in July 2022, entered into an Integration Services Agreement ("ISA") with CGM whereby PrimaLoft paid CGM an integration services fee of \$4.8 million quarterly over a twelve-month period ended June 30, 2023. Lugano, which was acquired in September 2021, entered into an ISA with CGM whereby Lugano paid CGM an integration services fee of \$2.3 million quarterly over a twelve-month period ended September 30, 2022. Under the ISAs, CGM provides services for new platform acquisitions to, amongst other things, assist the management at the acquired entities in establishing a corporate governance program, implement compliance and reporting requirements of the Sarbanes-Oxley Act of 2002, as amended, and align the acquired entity's policies and procedures with our other subsidiaries. Integration services fees are recorded as selling, general and administrative expense in the consolidated statement of operations.

### Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders"), through Sostratus LLC, are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation are paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses ("Sale Event") or, at the option of the Holders, at each five year anniversary date of the acquisition of one of the Company's businesses ("Holding Event"). The Company records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders' equity when they are approved by the Company's board of directors. The sale of Advanced Circuits in February 2023 represented a Sale Event and the Company's board of director's approved a distribution of \$24.4 million in April 2023, subsequent to the end of the first quarter. In addition, the Company's board of directors approved a distribution of \$2.1 million related to various

sale proceeds received related to previous Sale Events. These distributions were paid to the Holders of the Allocation Interests in April 2023.

#### 5.11

*Related Party Vendor Purchases* - 5.11 purchases inventory from a vendor who is a related party to 5.11 through one of the executive officers of 5.11 via the executive's 40% ownership interest in the vendor. 5.11 purchased approximately \$0.6 million and \$1.6 million during the three and nine months ended September 30, 2023, respectively and \$0.3 million and \$1.1 million during the three and nine months ended September 30, 2022, respectively in inventory from the vendor.

#### BOA

*Related Party Vendor Purchases* - A contract manufacturer used by BOA as the primary supplier of molded injection parts is a noncontrolling shareholder of BOA. BOA purchased approximately \$10.0 million and \$30.4 million from this supplier during the three and nine months ended September 30, 2023, respectively and \$12.7 million and \$43.8 million during the three and nine months ended and September 30, 2022, respectively.

#### Ergobaby

*Recapitalization* - In February 2022, the Company completed a recapitalization of Ergobaby whereby the LLC entered into an amendment to the intercompany loan agreement with Ergobaby (the "Ergo Loan Agreement"). The Ergo Loan Agreement was amended to provide for additional loan borrowings of \$61.5 million to fund a distribution to shareholders. The LLC owned 81.6% of the outstanding shares of Ergobaby on the date of the distribution and received \$50.2 million. The remaining amount of the distribution was paid to minority shareholders.

#### **Off-Balance Sheet Arrangements**

We have no special purpose entities or off-balance sheet arrangements.

#### **Critical Accounting Policies and Estimates**

The preparation of our financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates under different assumptions and judgments and uncertainties, and potentially could result in materially different results under different conditions. These critical accounting policies and estimates are reviewed periodically by our independent auditors and the audit committee of our board of directors.

Except as set forth below, our critical accounting estimates have not changed materially from those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, for the year ended December 31, 2022, as filed with the SEC on March 1, 2023.

#### **Goodwill and Indefinite-lived Intangible Asset Impairment Testing**

Goodwill represents the excess amount of the purchase price over the fair value of the assets acquired. Our goodwill and indefinite lived intangible assets are tested for impairment on an annual basis as of March 31<sup>st</sup>, and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are generally an operating segment. Each of our subsidiary businesses represents a reporting unit.

We use a qualitative approach to test goodwill for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment testing. The qualitative factors we consider include, in part, the general macroeconomic environment, industry and market specific conditions for each reporting unit, financial performance including actual versus planned results and results of relevant prior periods, operating costs and cost impacts, as well as issues or events specific to the reporting unit. If qualitative factors are not sufficient to determine that the fair value of a reporting unit is more likely than not to exceed its carrying value, we will perform a quantitative test of the reporting unit whereby we estimate the fair value of the reporting unit using an income approach or market approach, or a weighting of the two methods. Under the income approach, we estimate the fair value of our reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins and take into consideration industry and market conditions as well as company specific economic factors. The discount rate used is based on

the weighted average cost of capital adjusted for the relevant risk associated with the business and the uncertainty associated with the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate fair value based on market multiples of revenue and earnings derived from comparable public companies with operating characteristics that are similar to the reporting unit. When market comparables are not meaningful or available, we estimate the fair value of the reporting unit using only the income approach. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital, and comparable company market multiples. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact the fair value of the reporting unit. Estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will most likely differ from actual future results.

*2023 Interim goodwill impairment testing* - As a result of operating results that were below the forecast that we used in the quantitative impairment test of Velocity Outdoor at March 31, 2023, we determined that a triggering event had occurred at Velocity in the third quarter of 2023 and performed an interim impairment test of goodwill as of August 31, 2023. We performed the quantitative test of Velocity using an income approach to determine the fair value of the reporting unit. In developing the prospective financial information used in the income approach, we considered recent market conditions, taking into consideration the uncertainty associated with the current economic environment. The prospective financial information considers reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the Velocity reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 17%, an increase of 2% as compared to the discount rate of 15% used in the March 2023 impairment testing for Velocity. The increase in the discount rate primarily reflects additional uncertainty associated with the prospective financial information used in the income approach. The results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit did not exceed the carrying value, resulting in a goodwill impairment and we recorded impairment expense of \$32.6 million in the quarter ended September 30, 2023 at Velocity.

*2023 Annual Impairment Testing* - For our annual impairment testing at March 31, 2023, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed the quantitative test of Velocity using an income approach to determine the fair value of the reporting unit. In developing the prospective financial information used in the income approach, we considered recent market conditions, taking into consideration the uncertainty associated with the current economic environment. The prospective financial information considers reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the Velocity reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 15.0%, and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by approximately 21%. The prospective financial information that is used to determine the fair values of the Velocity reporting unit requires us to make assumptions regarding future operational results including revenue growth rates and gross margins. If we do not achieve the forecasted revenue growth rates and gross margins, the results of the quantitative testing could change, potentially leading to additional testing and impairment at the reporting unit that was tested quantitatively.

*2022 Interim goodwill and indefinite lived intangible asset impairment testing* - As a result of operating results below forecasts in the current period and expectations that macroeconomic conditions and decreases in consumer discretionary spending in the upcoming year will impact 2023 operating results, we determined that a triggering event had occurred at Ergobaby in the fourth quarter of 2022 and performed an interim impairment test of the Ergobaby goodwill and indefinite-lived tradename as of December 31, 2022. The Company used an income approach for the impairment test, whereby the Company estimated the fair value of the reporting unit based on the present value of expected future cash flows, including terminal value, and utilized a discount rate of 16.0%. The prospective financial information considers reporting unit specific facts and circumstances and was our best estimate of operational results and cash flows for Ergobaby as of the date of our impairment testing. The results of the quantitative impairment testing indicated that the fair value of the Ergobaby reporting unit did not exceed the carrying value. We recorded goodwill impairment expense of \$20.6 million at December 31, 2022. For the indefinite lived tradename, the results of the quantitative testing indicated that the fair value exceeded the carrying value.



*2022 Annual Impairment Testing* - For our annual impairment testing at March 31, 2022, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units exceeded their carrying value.

#### *Indefinite-lived intangible assets*

We use a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. Our indefinite-lived intangible assets consist of trade names with a carrying value of approximately \$57.0 million. The results of the qualitative analysis of our reporting unit's indefinite-lived intangible assets, which we completed as of March 31, 2023, indicated that the fair value of the indefinite lived intangible assets exceeded their carrying value.

#### **Recent Accounting Pronouncements**

Refer to [Note A - "Presentation and Principles of Consolidation"](#) of the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to our market risk since December 31, 2022. For a further discussion of our exposure to market risk, refer to the section entitled "Quantitative and Qualitative Disclosures about Market Risk" that was disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023.

#### **ITEM 4. CONTROLS AND PROCEDURES**

As required by Securities Exchange Act of 1934, as amended (the "Exchange Act") Rule 13a-15(b), the Trust's Regular Trustees and the LLC's management, including the Chief Executive Officer and Chief Financial Officer of the LLC, conducted an evaluation of the effectiveness of the Trust's and the LLC's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of September 30, 2023. Based on that evaluation, the Trust's Regular Trustees and the Chief Executive Officer and Chief Financial Officer of the LLC concluded that the Trust's and the LLC's disclosure controls and procedures were effective as of September 30, 2023.

There have been no material changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II  
OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

There have been no material changes to those legal proceedings associated with the Company's business together with legal proceedings for the businesses discussed in the section entitled "Legal Proceedings" that was disclosed in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023.

**ITEM 1A. RISK FACTORS**

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 and should not be considered the only risks to which we are exposed. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition. We believe there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Issuer Purchases of Equity Securities**

The following table presents the total number of shares of common stock purchased during the third quarter of 2023, the average price paid per share, the number of shares that were purchased as part of a publicly announced repurchase program, if any, and the approximate dollar value of the maximum number of shares that may yet be purchased under the share repurchase program:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
July 1 - July 31, 2023	—	\$ —	—	\$ 44,100,000
August 1 - August 31, 2023	15,000	\$ 20.81	15,000	\$ 43,800,000
September 1 - September 30, 2023	60,600	\$ 19.90	60,600	\$ 42,600,000
<b>Total</b>	75,600	\$ 20.08	75,600	\$ 42,600,000

(1) In January 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2023, up to \$50.0 million of outstanding common shares of the Trust. All common shares repurchased during the third quarter of 2023 were repurchased pursuant to this publicly-announced share repurchase program.

(2) As of September 30, 2023, the remaining authorization under the publicly-announced share repurchase program was \$42.6 million.

## ITEM 6. EXHIBITS

<b>Exhibit Number</b>	<b>Description</b>
31.1*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant</a>
31.2*	<a href="#">Rule 13a-14(a)/15d-14(a) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant</a>
32.1**	<a href="#">Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page formatted as Inline XBRL and contained in Exhibit 101
*	Filed herewith.
+	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 2, 2023

COMPASS DIVERSIFIED HOLDINGS

By: /s/ Ryan J. Faulkingham  
Ryan J. Faulkingham  
*Regular Trustee*

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 2, 2023

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham  
Ryan J. Faulkingham  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
31.1*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant</a>
31.2*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant</a>
32.1**	<a href="#">Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page formatted as Inline XBRL and contained in Exhibit 101
*	Filed herewith.
+	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

## CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Elias J. Sabo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Group Diversified Holdings LLC (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2023

/s/ Elias J. Sabo

Elias J. Sabo

*Chief Executive Officer of  
Compass Group Diversified Holdings LLC  
(Principal Executive Officer)*

## CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ryan J. Faulkingham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Diversified Holdings and Compass Group Diversified Holdings LLC (each, the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2023

/s/ Ryan J. Faulkingham

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Ryan J. Faulkingham

*Regular Trustee of Compass Diversified Holdings and Chief  
Financial Officer of*

*Compass Group Diversified Holdings LLC  
(Principal Financial and Accounting Officer)*

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of COMPASS GROUP DIVERSIFIED HOLDINGS LLC on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elias J. Sabo, Chief Executive Officer of Compass Group Diversified Holdings LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Compass Group Diversified Holdings LLC.

Dated: November 2, 2023

/s/ Elias J. Sabo

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Elias J. Sabo

Chief Executive Officer,  
Compass Group Diversified Holdings LLC

The foregoing certification is being furnished to accompany Compass Group Diversified Holdings LLC's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Compass Group Diversified Holdings LLC that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Compass Group Diversified Holdings LLC and will be retained by Compass Group Diversified Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.



CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of COMPASS DIVERSIFIED HOLDINGS and COMPASS GROUP DIVERSIFIED HOLDINGS LLC on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan J. Faulkingham, Regular Trustee of Compass Diversified Holdings and Chief Financial Officer of Compass Group Diversified Holdings LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Compass Diversified Holdings and Compass Group Diversified Holdings LLC.

Dated: November 2, 2023

/s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Regular Trustee, Compass Diversified Holdings and  
Chief Financial Officer,  
Compass Group Diversified Holdings LLC

The foregoing certification is being furnished to accompany Compass Diversified Holdings' and Compass Group Diversified Holdings LLC's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Compass Diversified Holdings and Compass Group Diversified Holdings LLC that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Compass Diversified Holdings and Compass Group Diversified Holdings LLC and will be retained by Compass Diversified Holdings and Compass Group Diversified Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.